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Haig Seeks To Assure Greece on Security

By John M. Goshko

Washington Post Service

ATHENS — Secretary of State Alexander M. Haig Jr., seeking to ease Greece's concern about the security of its eastern borders with Turkey, cited U.S. policy in the Falkland Islands crisis on Sunday as proof that the United States opposes settlement of territorial disputes by force.

Mr. Haig spoke at a news conference before leaving for a NATO foreign ministers' meeting in Luxembourg.

[Shortly after his arrival in Luxembourg on Sunday evening, Mr. Haig and British Foreign Secretary Francis Pym opened talks on the Falklands dispute, United Press International reported.]

In Athens, Mr. Haig was questioned repeatedly about how the Reagan administration will respond to Greek demands for a U.S. guarantee for the sovereignty of Greece's borders in the Aegean Sea area.

Premier Andreas Papandreu's government has said that such a guarantee is required if Greece is to renegotiate a continuation of the 1953 agreement under which the United States operates four strategically important military bases in Greece.

After questioning persisted, Mr. Haig said: "The U.S. view is no different than it is in the Falklands question. We reject and oppose the use of force to resolve disputes. This is a matter of principle. Just as the United States has subscribed to this principle in the Falklands crisis, we cannot recede from stating unequivocally our adherence to the rule of law and peaceful change in the resolution of disputes."

But although his answer went further than anything he had said previously on the sovereignty pledge question, it still fell short of what the Papandreu government had indicated it wanted from Washington.

Specifically, Greece has been seeking a public reaffirmation by the Reagan administration of a pledge contained in a 1976 letter by Henry A. Kissinger, then secretary of state. In it, Mr. Kissinger said the United States "would actively and unequivocally oppose either side's seeking a military solution" in the Aegean dispute.

However, reaffirming the Kissinger letter at this time would provoke a hostile reaction in Turkey, also a U.S. NATO ally, and cast into doubt the future of U.S. bases there. In Ankara, which he visited before coming to Athens, Mr. Haig turned aside questions about the Kissinger pledge. At his news conference in Athens, he maintained the same approach.

Earlier, Mr. Haig and other U.S. officials had said they did not believe the sovereignty guarantee issue was likely to be a major impediment to starting talks on a revised base agreement.

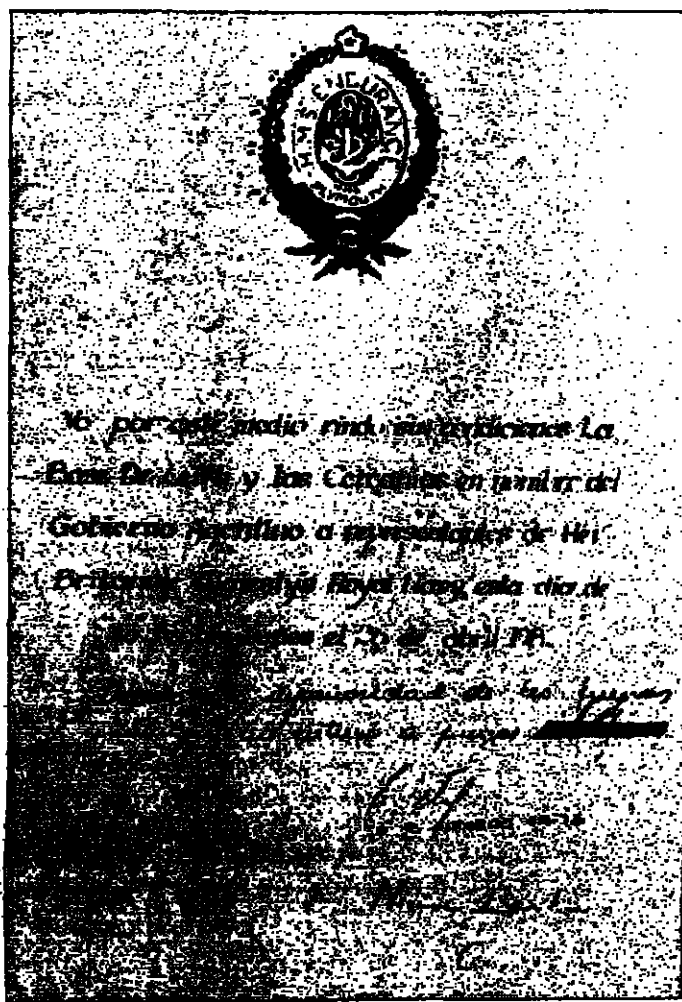
Greek officials have also hinted that Mr. Papandreu now might be willing to settle for something less specific, such as a general improvement in U.S.-Greek relations.

Mr. Haig, who repeatedly stressed the "cordial and constructive nature" of his talks with Mr. Papandreu, also implied that the two sides were moving closer to a resolution of the bases issue. "I think a consensus was reached on how to deal with the subject in the period ahead," Mr. Haig said. "But we didn't get into the substance."

Mr. Papandreu, who was elected last October in a campaign with strong anti-American overtones, said at the time that he wanted to see the closing of the U.S. bases, but he has since adopted a more moderate stance.



Capt. Alfredo Astiz, commander of the Argentine garrison on South Georgia Island, signed a surrender document on April 26 in front of Capt. David Pentreath of the Plymouth and Capt. Nicholas Barker of the Endurance. The photograph was released by the British Defense Ministry. Swedish and French authorities have asked to be allowed to question Capt. Astiz about the 1977 disappearances of two French nuns and a young Swede, and he is still in British custody.



This is the document in which Capt. Alfredo Astiz unconditionally surrendered his forces at Leith on South Georgia Island. Above his name, he wrote, "Due to the superiority of the enemy forces, I am handing myself over to the British forces."

EEC Decision On Argentina Is Postponed

From Agency Dispatches

LUXEMBOURG — European Economic Community foreign ministers decided Sunday night to delay a decision on the extension of trade sanctions against Argentina until Monday night, six hours before they are due to expire.

Foreign Minister Hans-Dietrich Genscher of West Germany said after a brief meeting that the foreign ministers would meet again to consider action over the Falklands conflict.

"We are coming back to that tomorrow," he said.

The Common Market negotiators on the sanctions are a major test of EEC support for Britain's policy in the dispute on the Falklands.

Request by Pym

Foreign Secretary Francis Pym of Britain left a meeting in London of Prime Minister Margaret Thatcher's "war cabinet" to urge the foreign ministers to renew the ban on Argentine imports before it expires Monday after being in force for one month.

The Common Market imposed the ban on goods worth \$1.7 billion a year to pressure Argentina to withdraw its troops from the Falklands.

Diplomats said any renewal of the sanctions would be for a limited period, possibly until the end of May or earlier.

The ministers were in Luxembourg for a NATO meeting that was expected to be dominated by the Falklands conflict.

At a meeting in Brussels on Saturday night of senior officials from the EEC member governments, Italy and Ireland expressed misgivings about an extension of sanctions.

Britain's appeal for solidarity from the rest of the EEC comes at a time of serious conflict with its partners. Britain has demanded big refunds from the community budget and set a veto on planned price increases for Common Market farmers until it gets them.

Vote on Farm Prices

But Britain's tough bargaining tactics could backfire. The farm ministers could decide Monday to out-vote Britain on farm prices, breaking a long-standing tradition of unanimity on such issues and opening the way for a crisis in the economic community.

Chancellor Helmut Schmidt of West Germany and President Francois Mitterrand of France said in a statement Saturday that there was no reason to halt the sanctions at this time, but they said that their continuation must be linked to the pursuit of a negotiated solution.

British Jets Raid Falklands; Commandos Attack Airfield

From Agency Dispatches

LONDON — British Sea Harrier warplanes bombed and strafed two Argentine vessels in small harbors off Falkland Sound on Sunday, the Defense Ministry reported.

Earlier Sunday, the ministry disclosed Harrier raids Saturday on the air base at the Falklands capital of Stanley and gave details of a British commando raid on another airstrip in which 11 Argentine planes were reported destroyed.

A ministry statement said the vessels attacked on Sunday were thought to have been in the harbors since before Britain imposed its air and sea blockade of the Argentine-held islands April 30.

There was no mention of which harbors or which vessels were involved, but the statement followed an Argentine communiqué reporting Harrier attacks at the Falklands ports of Fox Bay and Darwin. The statement said there was no firm indication of damage to the vessels and added that the Harriers returned safely.

The commando raid Friday night was the first ground assault that Britain has acknowledged making on the Falklands themselves. British forces captured the Falklands dependency of South Georgia Island on April 25.

"This was a raid and not an invasion," said John Wright, a Defense Ministry spokesman. The commandos suffered two minor casualties, British officials said. Argentine troops were reported to have suffered some casualties, but the number was not known.

A British reporter who witnessed the raid from a destroyer sent to support the commandos said the bombardment lasted nearly 30 minutes. "I saw salvo after salvo of 4.5-inch shells directed at the target by a spotting team already ashore," said the reporter, Martin Cleave. "Thirty-two shells a minute rained down."

A brief communiqué early Sunday added word of the air strikes Saturday to details of the foray by helicopter-borne commandos Friday night. In addition to hitting the Stanley airport, the Harriers struck Argentine military installations associated with the airfield, the communiqué said.

Britain said all its jets returned safely from the strike — the fifth reported against the Stanley airfield since May 1. The communiqué said the raid was "part of the continuing task of enforcing the total exclusion zone" that Britain has declared around the Falklands.

Argentine Report

An Argentine military communiqué said that British Sea Harrier jets attacked Argentine forces Sunday at Zorro Bay and Port Darwin on Soledad Island in the Falklands but caused no damage and were driven off.

Diplomatic efforts aimed at resolving the Falklands crisis continued, with Argentina reporting "some optimism" and Britain's ambassadors to the United Nations and Washington briefing the government in London on the latest round of UN-sponsored peace talks.

But during a break in a Cabinet meeting Sunday in London, Defense Secretary John Nott gave the negotiating process a week at most. "Time is not on the side of negotiations," he said in a radio interview.

After the British Cabinet session, a spokesman said the country's UN ambassador, Sir Anthony Parsons, would return to New York Monday to resume negotiations with the UN secretary-general, Javier Pérez de Cuellar.

The Defense Ministry in London said commandos raided the airstrip on Pebble Island just north of West Falkland Island on Friday night and laid explosive charges.

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President Leopoldo Galtieri of Argentina speaking to a Mexican television reporter.

Argentines Are Prepared to Fight A Prolonged War, Galtieri Warns

New York Times Service

BUENOS AIRES — Reflecting the general view in the government here that a British invasion of the Falklands is imminent, President Leopoldo Galtieri says that with almost 400 Argentine lives lost, "honors" is at stake and the country is willing to fight a bloody and prolonged war.

"I am carrying on my shoulders the spilled blood of 400 Argentines," he said in an interview with a Mexican television reporter Saturday. "The Argentine people, not me, I am sure, are ready for not only 400, but 4,000 or 40,000."

Issue of Soviet Aid

Most of the dead referred to by Gen. Galtieri were from the torpedoed cruiser General Belgrano. The sinking May 2 of the U.S.-built cruiser by a British submarine cost Argentina 20 confirmed dead and 301 lost at sea, according to the military command's final tally, released late Friday night.

Gen. Galtieri's mention of the figure 400 Saturday reflected the military's presumption that all the missing are dead. The command said 790 men from the ship were rescued.

In the interview, Gen. Galtieri again sidestepped the question of whether Argentina would turn to the Soviet Union for aid.

"If Great Britain insists with its militaristic attitudes," he said, "taking the conflict toward final consequences, we want Argentina

and the world to know that just as we have been maintaining this situation in these past five or six weeks, we will continue to maintain five or six months, or five or six years."

After charging that Britain was motivated by "imperialism and colonialism," he invoked the great moral effort here of political support from Third World countries when he added, "I don't feel alone, not only among the Argentine people, but also within Latin America, as well as various communities of the world."

Gen. Galtieri underlined Argentina's position that it prefers a negotiated solution to war and that it will not break off the talks at the United Nations despite growing British military pressure. "In no way will Argentina be the one to cancel or cut this communication," he said. "In the following days, it is probable that an approach toward the search for a solution may exist, but it is not definite."

This was a slightly more positive assessment than the one he gave for Peruvian television Friday night. He said then that "there is a slow advance" in the talks but that the defined outlines of a solution were "still not seen."

Foreign Minister Nicanor Costa Méndez told reporters late Friday night that the return to London of Sir Anthony Parsons, Britain's representative in the UN talks on the Falklands, proved that "the re-

sponsibility for the delay or the prolongation of the negotiations is certainly not Argentina's, but Britain's."

Argentine Foreign Ministry officials, repeating that opinion Saturday, also expressed hope that the ambassador's recall was a positive step that might lead to an accord within the British government for a negotiated settlement.

Argentine military officials also acknowledged for the first time Saturday that there were no commandos still holding out on South Georgia Island, which British forces recaptured April 26. The commandos were captured and were among the 149 Argentine marines who returned here Friday.

Argentine military sources said that the country's aerial supply of the approximately 10,000 troops on the Falkland Islands had continued. They said that Argentine warplanes had been making sorties roughly every two hours, approaching the British fleet but turning away before getting too close, in a form of psychological pressure to keep the British on edge.

The sources said that on clear days, when the aircraft had good visibility, the British task force of more than 30 ships has clustered together for protection, surrounding the two aircraft carriers, the Hermes and the Invincible, about 60 miles (96 kilometers) west of the Falklands.



Members of a British television crew leave a Buenos Aires courthouse after testifying about their abduction. From left are Edward Adcock, Trevor Hunter, Julian Manyon and Norman Fenton.

French Propose Technology as Summit Subject

Idea Is to Emphasize Long-Term Solutions, Not Short-Term Squabbles

By Axel Krause

International Herald Tribune

PARIS — President Francois Mitterrand plans to present a report on technology to next month's Versailles summit in an effort to give the meeting a reflective and conciliatory dimension.

The paper, which has been redrafted to allay some U.S. objections and is being kept confidential, is to be the first item of business on the summit agenda, according to French and U.S. government sources.

In picking technology as a leading topic for discussion, Mr. Mitterrand hopes to focus the attention of Western leaders on a long-range subject on which everyone can agree. "The basic idea is to show that the economic crisis is not fatal," a French official said.

'Intriguing Subject'

The highly controversial and more immediate economic issues that are straining the alliance also are to be discussed by the leaders of the United States, Japan, West Germany, France, Britain, Italy and Canada, along with representatives of the European Economic Community. These topics include U.S. monetary policy, trade with Communist nations and relations with the Third World.

"Even though technology is an intriguing subject," said a senior U.S. official, "it will be

difficult if not impossible to avoid the tough issues — differences between us and the Europeans over subsidies, East-West relations and how to improve the world's trading system."

Political, security and related international questions also will be discussed during the 23 hours scheduled for formal talks during the June 4-6 meeting.

Mr. Mitterrand is to read his report to leaders from Western industrial nations gathered in Versailles Palace. A discussion that could last up to two hours is to follow, the sources said.

The French president's message, according to those who have read the most recent draft, is that government leaders must develop strategies to deal with new, rapidly evolving technology, in both the medium and the long term.

The report discusses how emerging industrial technology could create jobs in Western economies and looks at the potential of new technology for the developing countries.

French officials have declined to discuss specifics of the document with newsmen, emphasizing that the final version will be divulged to summit leaders by Mr. Mitterrand.

Sources familiar with the most recent draft said that it suggests that governments should play the key role in developing technology. That message is a reflection of current French policy, which strongly supports direct government intervention and financial aid.

But, largely in response to objections by U.S. officials and others, the Mitterrand document now also recognizes an important role for private industry in developing technology.

A senior Reagan administration official familiar with the latest version, which was recently brought to Washington by one of Mr. Mitterrand's aides, described it as "provocative," adding, "The French have come a long way in the drafting, so we now have a more neutral framework for discussion."

Mr. Mitterrand hopes the report will be formally adopted by the summit leaders and recommended to an international body for further action. But the basic aim is to launch a discussion that would help develop ideas for healing the world economy, French officials said.

A Studious Approach

"Compared to previous world summits, we wanted a freer, studious, less bureaucratic approach at Versailles, allowing heads of state to reflect on some longer-range issues," a senior French official explained. "We thought technology was an excellent choice."

While officials from most summit nations do not expect to spend more than several hours on the subject, there is wide agreement that technology is well worth discussing, if for

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INSIDE

ATROCITIES — An investigative team of the South African Catholic bishops' conference that visited the war zone of Namibia issued a report alleging widespread atrocities by members of the South African defense force. Page 4.

REAGAN GIFTS — President Reagan received more than \$113,000 in investment and interest income in addition to his salary last year. In addition, Mr. Reagan and his wife, Nancy, accepted gifts worth more than \$30,000. Page 3.

DEEP SLEEP — After 15 years of research, a team of Harvard University scientists has identified a naturally occurring human substance that appears to play a role in initiating deep sleep. The chemical — called "factor S" by the scientists — has been isolated in extremely small amounts from human urine, but it appears to be an extraordinarily potent substance. Page 5.

SUPPLEMENT — A special supplement on Portugal appears on Pages 75 through 135 of today's International Herald Tribune.

Abductions of Foreign Newsmen Recall 'Dirty War' in Argentina

By Jackson Diehl

Washington Post Service

BUENOS AIRES — The kidnappers flashed yellow cards like those that once identified Argentine security forces. They carried 45-caliber pistols and clubs strapped to their wrists with leather thongs. And they communicated from their customized Ford Falcons with sophisticated radios linked to a central dispatcher.

The abduction last week of six foreign journalists over a two-day period again confronted Argentina's military government with the specter of its past — a past that the military, even in its moment of greatest public support here, cannot seem to put behind it.

Both the technique and the equipment that the journalists described are vividly reminiscent of the years of the government's "dirty war."

In the late 1970s, Falcons with covered license plates cruised the streets of major Argentine cities almost nightly, and an estimated 6,000 to 15,000 people disappeared

in the same manner as the journalists.

But while the reporters were released unharmed, most of the thousands of Argentines who disappeared have never been seen again.

Now, with the abductions and the detention by Britain of an Argentine military prisoner allegedly linked to several disappearances, the government's human rights record is threatening to become a major obstacle in its campaign for international support against Britain.

"It has to be said very frankly that a great part of the difficulties that Argentina encounters in various European countries in the comprehension of its undeniable territorial rights originates in the bad image because of the problem of human rights," the leading moderate daily Clarin said in a recent editorial.

Argentine government officials appeared chagrined over the journalists' abductions. "Here we are trying to make good public rela-

tions, and this happens," said Gustavo Figueroa, the chief of the Cabinet in the Foreign Ministry, after a British television crew was kidnapped Wednesday.

Later in the week, the French and Swedish governments asked to interrogate Alfredo Astiz, a Navy captain still being held by Britain after his capture April 25 on South Georgia Island. Other Argentines captured at the same time were turned over to the Red Cross and are now back in Argentina.

Capt. Astiz has been linked by rights organizations in Argentina to the disappearance of two French nuns and a young Swede in 1977.

For human rights groups here, the damage to Argentina's image abroad is not as serious, however, as the possibility that the once-feared security apparatus will not be dismantled — or continues to exist outside the government's control.

The issue surfaced here last week with the appearance at the Interior Ministry of several hun-

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U.S. Is Said to Press For Freedom to Move Troops From Europe

By Richard Halloran
New York Times Service

WASHINGTON — Secretary of Defense Caspar W. Weinberger has told European leaders that the United States must be free to move American military forces out of Europe in an emergency in the same way that Britain has sent forces to the Falkland Islands, according to senior Pentagon officials.

Mr. Weinberger, the officials said, has been using the crisis in the South Atlantic to reinforce the Reagan administration's contention that members of NATO have interests outside their boundaries and must be ready to send forces to protect those interests.

The debate in NATO over what has been known as "out of area" operations began when Iranian seized American hostages and the Soviet Union intervened militarily in Afghanistan, both late in 1979. President Carter, in early 1980, said the United States would defend its interests in the region around the Gulf with force if necessary.

Specifically, Mr. Weinberger has asserted that Europeans must agree in principle that the United States is free to deploy American ground, air and naval forces from Europe to the Middle East if it becomes necessary to protect oil sources that are vital to the industrial world, the officials said.

The officials said the administration had been seeking a comprehensive plan under which European allies would fill in gaps left by the departure of U.S. troops. The United States has 300,000 troops in Europe, including 28 percent of the U.S. Army.

Under the plan, the Europeans would assure the United States that weapons and equipment stored in Europe could be moved, would provide logistic support and would grant the United States the rights to move forces and supplies from the United States through Europe to the Middle East.

The officials said that Mr. Weinberger's analogy with the Falklands appeared to have been effective with the Europeans and that they expected to have a plan worked out within a year. The

S. Koreans Kill Infiltrator

United Press International
SEOUL — South Korean troops killed an armed North Korean infiltrator early Saturday, and a search operation was under way for two others just south of the truce border between the two Koreas, the Defense Ministry said.

chief U.S. negotiator is Richard N. Perle, the assistant secretary of defense for international security policy.

European nations have been reluctant to join the United States in sending forces to the Gulf and Middle East, even though Western Europe is more dependent on oil from the region than the United States is. The Europeans have also objected to the deployment of U.S. forces from Europe, particularly aircraft carriers and their escorts.

Outside the NATO Charter

After the Reagan administration came into office, Pentagon officials said, the Europeans continued their adamant opposition to plans for deploying U.S. forces away from Europe, contending that this was outside the NATO charter. But the real reason, the officials asserted, was that they did not want to incur the costs of filling the gaps left by the American redeployments.

Then, the officials said, U.S. negotiators pointed to increasing demands in the United States that American forces be withdrawn from Europe. The possibility that Europe might have to choose between the Americans going home or being free to deploy elsewhere "had a sobering impact," one official said.

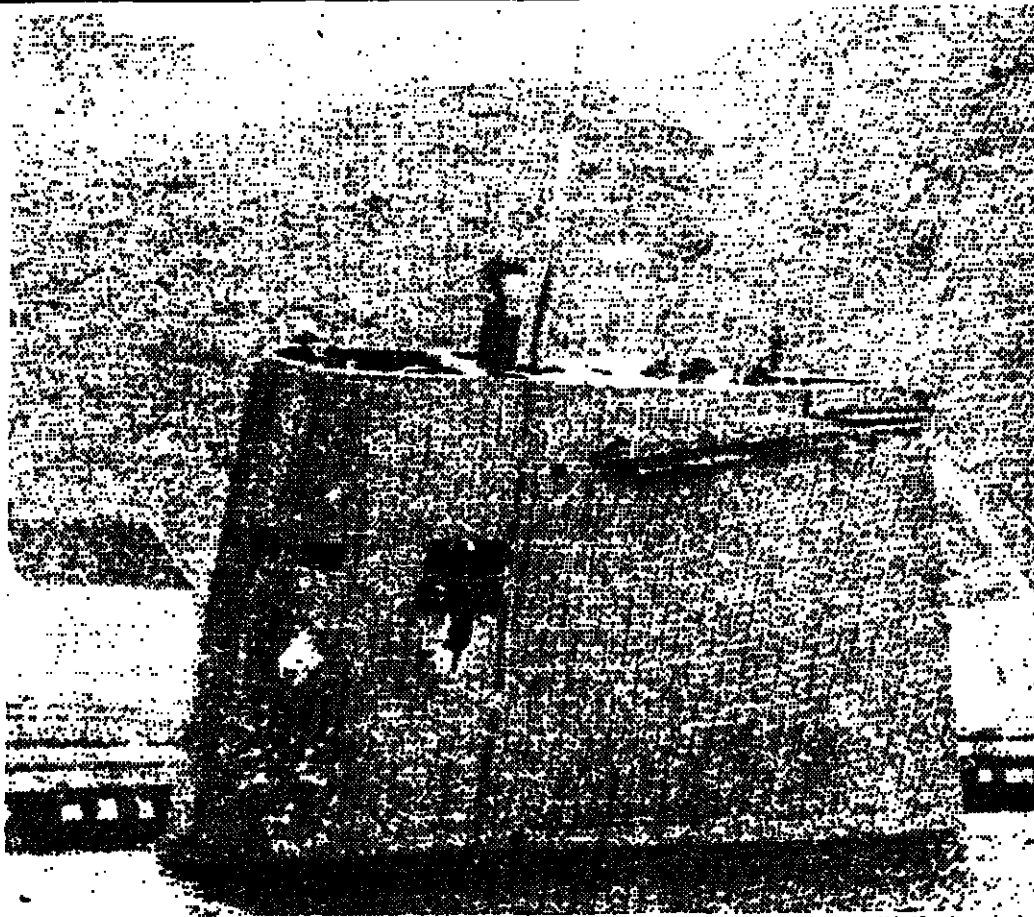
Finally came Britain's dispatch of forces to the South Atlantic. When Mr. Weinberger was in Brussels for a meeting of NATO defense ministers, the officials said, he made the point that NATO forces were going to be diverted and that the alliance should make plans to cope with the situation.

The forces of several other NATO nations have taken over what are normally British missions, especially patrolling the North Atlantic, because much of the British fleet has gone to the South Atlantic.

The defense secretary said the alliance should prepare, before there is an emergency, to accomplish missions currently assigned to the Americans.

Pentagon officials said that Mr. Weinberger and Mr. Perle had emphasized to the Europeans that it was important to avoid forcing the United States to choose between deploying forces to protect Europe and deploying forces to protect interests in Southwest Asia.

They urged the Europeans to see that it was in their interests for U.S. forces to be flexible. Otherwise, if the United States had to allocate forces to each region, American support for NATO would decline.



Santa Fe, the Argentine submarine damaged in an attack late in April, sits in the British-held harbor on South Georgia. The vessel made its way to shore after it was damaged by helicopters.

British Hit 2 Falklands Airstrips

(Continued from Page 1)

"that destroyed aircraft on the ground and a large ammunition dump."

The ministry said Sunday that 11 Argentine aircraft were destroyed — six Pucara ground-attack planes, one Skyvan and four unidentified light aircraft.

The ministry described the raid as a "limited military action" designed to enforce the British air and sea blockade around the islands, where an estimated 9,000 to 12,000 Argentine troops are dug in.

The Argentine military reported Friday night that 20 crewmen were dead, 301 were missing and 790 were rescued after the cruiser General Belgrano was torpedoed and sunk by a British submarine May 2 near the tip of the South American continent.

The announcement put the total number of Argentine acknowledged dead or missing in the Falklands fighting at about 400. The British list 23 dead, 20 of them in an Argentine missile attack that shattered the destroyer Sheffield.

An Argentine Navy spokesman said rescue efforts for the crew of the General Belgrano "can be considered terminated," adding that "the chances of finding someone alive in a lifeboat after two weeks in that zone are very slight."

Another Argentine military

communiqué held out "little hope" for the civilian merchant ship Isla de los Estados, reported missing on a supply run to the Falklands.

Argentine military sources speculated that the ship, with a crew of between 30 and 40, may have been hit by a British missile. The British reported May 11 that a frigate fired on an unidentified tanker or supply vessel in the strait separating East and West Falkland and that an explosion had been heard. Argentina did not acknowledge that report.

Pebble Island, which is 19 miles (30 kilometers) long and is at the northern tip of West Falkland, is 65 miles from Stanley. It is covered by mountains except at its eastern end. It is there that the troops landed, military analysts believe, probably dropping by rope from helicopters.

Another Argentine military

Recent Abductions Recall 'Dirty War' in Argentina

(Continued from Page 1)

southern city of Ushuaia continue to hold three British journalists arrested April 13 and accused of spying on military installations. Several press groups and international organizations have made pleas for their release.

Interior Minister Alfredo Saint Jean announced in March, at a time when U.S. officials were studying Argentina's human rights record, that families would be given individual belongings by government officials. He promised what he called a "definitive solution" to the issue of the disappearances.

But when the families went to the ministry Monday, they were told that the building was closed for disinfection and that the information would be provided at "a later time."

Several civilian leaders have called on the government to clear up the problem of the missing people before it destroys Argentina's diplomatic position in the South Atlantic crisis.

An editorial in the rightist daily La Nación urged that strong action be taken to combat any impression that the journalists' seizure was part of "an ugly institutionalized system."

But for the military government, which has labeled the abductions a damaging blow to the Falkland Islands cause, the solution is apparently not so easy.

Interior Minister Saint Jean and other high government officials have suggested that the abductions could have been carried out by forces determined to destabilize the government, either leftist organizations or foreign agents. But the government has made no arrests and produced no evidence of suspects.

The three journalists from Thames Television of London who were seized Wednesday — a fourth managed to escape at the outset of the abduction — said they were clearly in the hands of professionals.

Identifying themselves as police, the men who abducted Julian Mannion, Trevor Hunter and Edward Adcock had prepared their Argentine-made Ford Falcon for such an operation. Even the window handles in the car's back seat had been bound with cords, the journalists said, to prevent any possibility of cries for help.

The abductions would appear to be a serious problem for the military government. Mr. Mannion, who with his colleagues was summoned by President Leopoldo Galtieri to hear an official apology, said the president and Mr. Saint Jean "said they did not know who was doing this, but they were afraid of the consequences of it."

Other captured journalists, including a television team from WNEW-TV of New York, said they were told by Mr. Saint Jean that the abductions could have been former state security men or even present police members.

Meanwhile, authorities in the

southern city of Ushuaia continue to hold three British journalists arrested April 13 and accused of spying on military installations. Several press groups and international organizations have made pleas for their release.

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Meanwhile, authorities in the

Pope Asserts Britain Visit Is Imperiled

Says Falklands Clashes Have Posed an Obstacle

By Henry Kamm
New York Times Service

ROME — Pope John Paul II acknowledged Sunday that his long-awaited visit to Britain, scheduled to begin later this month, has been put in doubt by the conflict over the Falkland Islands.

The pope, who returned early Sunday from a four-day pilgrimage to Portugal, made the announcement at his regular Sunday noon blessing and address as tens of thousands of tourists and pilgrims listened in St. Peter's Square. Speculation over the visit, which is scheduled May 28 to June 2, has been active since Britain and Argentina opened military hostilities over the islands. Vatican sources and diplomats accredited to the Holy See expressed doubt that the pope could visit Britain while armed forces were being used.

Pope John Paul's statement Sunday was his first formal comment on the issue of his visit; he has spoken repeatedly and with evident sorrow of the fact that two nations on whose Christian tradition he has remarked have failed to solve the controversy by peaceful means.

Noting that the visit had been prepared with great earnestness, "sparing neither effort nor enthusiasm" for a year and a half, and was of historic importance for ecclesiastical as well as Roman Catholic reasons, the pope said: "Unfortunately, well-known events that have taken place in the South Atlantic have disturbed this eve of the [trip], putting in doubt the very possibility of the journey, whose setting cannot be but a setting of peace and serenity."

But the pontiff expressed hope that the visit might still be salvaged. "I continue to keep alive the hope that such a setting can still be restored, thanks to the good will of men and the help of God," he said.

The visit would be a signal step in normalizing relations between the Vatican and the Anglican Church. King Henry VIII of England broke with Rome nearly four and a half centuries ago over a personal refusal to allow him to divorce Catherine of Aragon to marry Anne Boleyn.

The pope also thanked those who joined him in giving thanks at the shrine of Fatima for his recovery from a wound suffered May 13, 1981, in an assassination attempt at St. Peter's.

He also thanked those who offered prayers of gratitude for his escape from another attempt on his life while he was praying at Fatima. Juan Fernandez Krohn, a priest who is opposed to the liberalization of Catholicism, has been charged with attempted murder in Lisbon for trying to attack the pope with a bayonet.

French Topic For Summit

(Continued from Page 1)

no other reason than to draw attention away from the more divisive issues.

"There is no way that Reagan, Schmidt, Mrs. Thatcher and the others will allow technology to dominate the discussions, but it will definitely strike a longer-term, and welcome, note, since it suggests a solution to the present economic situation," a senior U.S. official said.

"It provides an integrating theme," said another U.S. official, adding that "there obviously are going to be differing approaches, but it has the advantage of being an essentially neutral subject."

Nonetheless, some controversy is expected, sources said. The Reagan administration is determined to emphasize the leadership of private industry, although it is not ruling out a government role, particularly in providing tax incentives.

The U.S. view is largely shared by Britain, West Germany and Japan, while the French government will be advocating greater state involvement, the sources said.

U.S. officials also are determined to emphasize the trade-related aspects of technology, particularly in such fields as telecommunications, services and investments.

Graham's Russian Trip: New Case of Naiveté?

U.S. Clergyman's Favorable Reports Reflect Soviet Skill at Image-Making

By John F. Burns
New York Times Service

MOSCOW — If there is any consolation for the Rev. Billy Graham amid the furor caused by his remarks here last week about Soviet tolerance of religion, it must lie in the fact that he joins a long tradition of visitors who have come away with rosy views of the Soviet system.

Before Mr. Graham ended a week's visit on Thursday, he replied to criticism of his failure to speak out against a perceived lack of religious freedom in the Soviet Union. "I think there is a lot more freedom here than has been given the impression in the United States, because there are hundreds, thousands of churches open," he told reporters at Moscow's airport.

Earlier in his tour, he said, "I have experienced total liberty in what I want to say."

"So from my personal experience, I have had liberty. ... I go back to the United States with my head full of new thoughts and ideas and with my heart also, in some respects ... strangely warm."

(In New York, Mr. Graham said Sunday there might appear to be "an element of opportunism" in his recent change in attitude toward the Soviet Union, but he said his decision to visit Moscow was mandated by the scriptures. The Associated Press reported.)

In a television interview, Mr. Graham was quoted as saying: "Jesus said, 'Go ye into all the world and preach the Gospel.' He didn't say 'Go into the capitalist countries only.'"

Since 1917, there have been numerous examples of public figures, lawyers, diplomats and journalists who journeyed here and left with favorable impressions, only to be ridiculed for their credulity.

The reasons are many. Most visitors who arrive here on an invitation charter, speaking no Russian, depend throughout their visits on official interpreters and officially arranged interlocutors. This means they have no readily available means of communicating with Russians outside their official schedule without making special arrangements.

With all visitors, and especially with important ones, the Russians discourage ventures outside the schedule of visits and discussions. Days and nights are packed with events, so that only the determined find the time to break away and encounter Soviet realities for themselves.

Those who do launch out on their own encounter obstacles, such as the absence of good city maps, telephone directories and taxis, and the arguments of hotel doormen, taxi drivers and others against do-it-yourself tourism.

The problem dates from long before the Communists seized power. The Marquis de Custine, a French traveler who visited Czarist Russia in the 1840s, wrote a penetrating account of his experiences in his book "The Empire of the Czar."

"Russian hospitality," he wrote, "is so hedged around with formalities as to render life unpleasant to the most favored stranger. It is a civil pretext for restraining the movements of the traveler, and for limiting the freedom of his observations."

He went on: "Would you see the curiosities of a palace, they give you a chamberlain, with whom you are obliged to view everything and, indiscriminately, to admire all that he admires."

The tendency to take the host's claims at face value has led many prominent Americans astray. President Franklin D. Roosevelt's ambassador to Moscow in 1938, Joseph Davies, reported to the State Department at the height of Stalin's purges that there was "proof beyond reasonable doubt" that two of the dictator's marshals were guilty of treason.

After Stalin died, Nikita S. Khrushchev revealed what most of the world had assumed all along — that the evidence in the trials Mr. Davies mentioned was fraudulent, or had been obtained under duress.

Henry A. Wallace came here as vice president in 1944 and was taken to the Kalynin area of eastern Siberia. The site, it was learned later, was part of a network of some

of Stalin's most brutal labor camps. But Mr. Wallace, in his book "Soviet Asia Mission" described gold miners who were brought to meet him — drafted from the camps, though he did not guess it — as "big husky young men who came out to the Far East from European Russia" and as "pioneers of the machine age, builders of cities."

Like Mr. Wallace, Mr. Graham was treated to the illusion that the Kremlin likes to grant influential visitors. Although caviar is beyond the reach of most Soviet citizens, the evangelist spoke enthusiastically about having had "caviar with almost every meal."

Mr. Graham was chauffeured around in a huge Chaika limousine, while religious hierarchs from the Soviet-dominated countries of Eastern Europe motored around in a bus.

Welcoming of Gide

André Gide, the French novelist, wrote years after a visit in 1936: "I had the most comfortable cars everywhere, a private coach on the train, the best rooms and meals in all the hotels. I was welcomed and feted. Nothing was considered too good for me. I could not fail to carry away with me a most wonderful memory of the welcome I had received."

But the efforts induced in the novelist the opposite of what his hosts had intended: "The immense privileges I was offered amazed and terrified me and I was afraid of being seduced and corrupted." If privilege has been used as an opiate, so has the prospect of reward. The promise has not generally been material compensation, but of something of overriding importance to the visitor.

Critics of Henry A. Kissinger have said that he was seduced in his contacts with the Soviet leaders by the hope that détente would succeed. Mr. Graham told diplomats that he felt he had the "promise" of a preaching tour "from Siberia to the Black Sea," as he put it later to reporters.

Israel Boosts African Bid

(Continued from Page 1)

— but Israeli development companies are active in at least 12, including Kenya and Nigeria.

Israeli trade with black Africa exceeds \$100 million annually, or three times the pre-1973 level, and the state-backed Agriev Co. has projects throughout the continent. The Solel Boneh construction company has contracts totaling nearly \$2 billion in black Africa, and an Israeli community of 500 families lives in Nigeria.

The Israeli government maintains special-interest sections in foreign embassies in Zaire, Gabon, the Ivory Coast, Ghana and Kenya, and special trade representatives frequently travel to other states.

Intense Diplomacy

During the past two years, Israeli diplomacy has been intense in an effort to renew relations in black Africa. The Foreign Ministry's director-general, David Kaniel, has made several visits to African leaders.

In November, Defense Minister Ariel Sharon toured several African capitals, including Kinshasa, and signed contracts for arms sales and economic development, giving rise to speculation that formal ties to Israel would be resumed. The Israeli government's decision to annex the Golan Heights in December, however, apparently caused some countries to postpone consideration of ties.

Late last year, Mr. Mobutu announced that he was prepared to resume ties with Israel, but not until other black African nations took a stand. Israeli sources said Saturday that Mr. Mobutu apparently had given up his bid for a joint announcement.

If other black African states had wanted to resume ties immediately, "they probably would have done it with Zaire," an Israeli official said Saturday night. "But we think now that Zaire has done it, the others will have more courage. The taboo has been lifted."

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Woman Becomes Yugoslav Premier

BELGRADE — The newly constituted Yugoslav Parliament formally elected Milka Platinic on Sunday as the country's first woman premier. She immediately named a Cabinet of 28 loyalists to Tito's policy of independence.

Mrs. Platinic, 57, took over the Croatian Communist Party leadership in 1971 after the local separatists threatened the unity of Yugoslavia. The collective presidency nominated her for the premiership last January. She replaces Vesdin Djuranovic, who returned to serve as president of his native Montenegro state.

151 Arrested After Parade in Berlin

BERLIN — West Berlin police said Sunday that 151 persons were arrested after scattered protests in connection with the annual parade of British, U.S. and French occupation forces.

Those detained were set free after checks of identification papers, the police said. Most of the protesters were carrying banners reading "Swords Into Plowshares," the motto of the East German peace movement, and other antiwar slogans. About 65,000 people turned out Saturday for the parade by about 3,000 soldiers.

Two years ago, protesters attacked U.S. buildings after the parade and burned American flags.

Compiled From Agency Dispatches



FIGHTING IN LEBANON — Smoke rises over buildings in the Lebanese port of Sidon as rival leftist Moslem militias continue fighting. Police said on Sunday that three persons were killed as the militias battled with mortars, rocket-propelled grenades and machine guns.

1981 Outside Income Of at Least \$113,000 Reported by Reagan

WASHINGTON — President Reagan received more than \$113,000 in investment and interest income in addition to his salary last year, according to the president's latest financial disclosure report.

Mr. Reagan and his wife, Nancy, also reported accepting gifts worth more than \$30,000, including two silver picture frames from Frank Sinatra and a \$1,900 Waterford crystal wine cooler.

The president and other high officials are required by law to make an annual public report of their financial situation. The president's report was made available Friday by the Office of Government Ethics.

The disclosure form gives a general description of the president's assets, with income groups by category, such as \$5,000 to \$15,000 and \$50,000 to \$100,000.

\$5,000 in Royalties

The president had more than \$113,000 in outside income from the investments but less than \$237,500, according to the ranges shown on the form. Most of the money came from two trusts, including one established by the president when he took office in January, 1981.

In addition to this income, the president received a California state pension of \$22,197 and nearly \$5,000 in royalties for past television appearances.

As president, he receives a salary of \$200,000 a year and a \$50,000 expense account.

The president and other White House officials are permitted to keep items they receive as personal gifts. Any gift worth more than \$35 must be reported. It is illegal to keep gifts from foreign governments, and most previous publicity about gifts to presidents has focused on expensive jewels from foreign dignitaries.

The financial report listed five pages of personal gifts including an album of photographs of the president's Rancho Del Oro by the photographer Alfred Eisenstaedt, two silver picture frames, with inscriptions, worth \$400 from Frank Sinatra, and the Waterford crystal wine cooler from the American-Irish Historical Society.

The president's major assets are the two trusts, each valued at more than \$250,000, and his Santa Barbara ranch, listed as having a value in excess of \$250,000. Each of the trusts provided the president with income ranging between \$50,000 and \$100,000 last year, producing the bulk of his outside earnings.

The president Saturday defended his and Mrs. Reagan's acceptance of the thousands of dollars of jewelry, sculptures, crystal,

sweaters and shoes, saying: "I have never in my entire experience ever had anyone suggest to me that any contribution or gift they ever made would lead to any benefit."

But at least a few of the friends, manufacturers and strangers who presented gifts to the Reagans in their first year in the White House said that they hoped to use his name to promote their products.

Cathy Boyd, of Bill Boyd's Western World in Reno, said her father sent the president the first of "our limited edition American Eagle" silver belt buckles, which retail for \$1,250. The buckle manufacturer, Robert W. (Bill) Boyd, who is running for lieutenant governor, has displayed the president's thank-you letter in his stores and used the president's name in advertising. Cathy Boyd added that she believed it had helped sales.

Guy L. Beury, a Mechanicsburg, Pa., jeweler who says he has never met Mr. Reagan, said he took a \$400 cameo to the White House last year for Mrs. Reagan with the idea of publicizing his product. "Let's face it," he said. "You kind of promote yourself."

A White House attorney, Fred Fielding, said he reviews each gift sent to the Reagans to guard against any conflict of interest or appearance of impropriety.



FIRST LADYLIKE — President Reagan visited the farm of Leon Wilkinson in Landenberg, Pa., after granting his permission to name a newborn calf Nancy, after his wife.

U.S. Civil Defense Schemes Draw Laughs, Boos

By Jay Mathews

Washington Post Service

LOS ANGELES — An official in Los Angeles has proposed a sort of Darwinian Theory of Evolution in the event of nuclear attack: the healthy go first, the less fit stay behind.

In Baltimore, a plan to move hundreds of residents to West Virginia got laughs in the City Council. In Memphis, where the plan says city officials should get priority, there is a passionate debate over who is a key official. In Boulder, Colo., city fathers threw in the towel after citizens decided the whole exercise.

So it goes in city councils throughout the United States this month, as civil defense chiefs unveil their newest schemes for defense against nuclear attack: "crisis relocation."

The plan to evacuate U.S. cities when a major war threatens has produced many questions and some bizarre counterproposals, all demonstrating the difficulties of winning public support for the evacuation proposal.

Boulder decided not to participate in the federal scheme after public hearings in which citizens

called such evacuation planning worthless.

Federal officials want to practice evacuating key officials in Memphis this November, but the civil defense director there, Billy Ray Schilling, said it would be ticklish to determine who the key officials are.

A member of the Baltimore City Council, Kweisi Mfume, labeled as "laughable" the federal proposal to evacuate 776 residents to West Virginia. Gov. Edmund G. Brown Jr. of California called plans to evacuate cities in his state "utterly unworkable."

"Los Angeles cannot even evacuate itself on a Friday afternoon with no [smog] alerts in effect," he said.

But a Los Angeles County official has proposed a solution to this dilemma: a "Noah's ark" plan, whereby only the young and the healthy would hit the highways and the old and sick would stay behind.

The director of the Military and Veterans Affairs Department, Robert L. Kingsbury, said that while his plan "may appear cool . . . our overriding concern must be to continue life and national survival following the nuclear strike."

"As unpalatable as it may be," Mr. Kingsbury said in a letter to a county supervisor, Kenneth Hahn, "it is my opinion that the preselection of priority evacuees according to their value to the society that would survive the nuclear strike is absolutely essential."

High-priority evacuees would include the young and physically fit, skilled specialists of all sciences, trades and occupations and a well-balanced labor force. On the low end of priorities would be the elderly, the infirm, the unskilled, the unessential and those whose presence in the relocation area would serve only to place a burden on the survivors.

Mr. Kingsbury, a retired Army major, also suggested enlisting retired military personnel in the area into a state militia to help provide law and order. His letter said some evacuation might be effected by commandeering pleasure boats.

In response to Mr. Kingsbury's suggestion, a Los Angeles Times editorial said, "Nuclear war is no laughing matter, but public officials go on inadvertently making bad jokes about it anyway."

The director of the Los Angeles County Public Social Services Department, Eddy S. Tanaka, told Mr. Hahn simply: "The voluntary relocation of the 7.3 million Los Angeles residents to host areas in the north and southeast could not be successfully accomplished." He suggested reviving a public shelter program instead.

Hunting for Drug Smugglers in the Caribbean

U.S. Coast Guard Fends Off Monotony With Cheez Doodles and Coca-Cola

By Gregory Jaynes

New York Times Service

MIAMI — A dead man's ashes in one hand, a slim volume entitled "Prayers at Sea" in the other, Lt. Kurt Wellington of the Coast Guard called from the bridge: "All hands, bury the dead. All hands, bury the dead. All hands, bury the dead."

Turning from the microphone, he said: "That's a terrible pipe. I hate it."

It was a bright Saturday morning aboard the cutter Cape Current, which was beginning a voyage in search of drug smugglers. As a favor to the Navy, it was committing to the sea the remains of a naval commander's father.

Then it would be off to the Bahamas and the U.S. government's war on narcotics.

The government estimates that 80 percent to 90 percent of the nation's marijuana, cocaine and methamphetamine enter through Florida. As a consequence, Miami is swarming with federal agents. The Coast Guard alone has 16 vessels on the lookout for narcotics at a cost while under way of \$2,000 to \$3,000 an hour, and soon it will have 21. The Coast Guard says it makes one drug seizure for every three or four patrols, and seizures that fetch 10 tons of marijuana are common.

But common still are the long days on which nothing is sighted, the boat drones on and the crew wrestles with monotony. Here is an account of one such voyage:

The crew got into fresh blouses and gathered in a knot on the fantail, each sailor slack in the knees to counter the roll. Then, while the lieutenant softly read a psalm, Chief Petty Officer Johnnie Leach emptied the urn into the ocean. Another crew member fired three rounds from an M-16. The burial was done, and the crew got into shorts.

In the afternoon it became a blood-boiling day. Ballyhoos, or halfbacks, skipped across the Gulf Stream, upright on their tails. Flying fish flew by. And 14 hash marks on the smokestack marked the number of marijuana seizures the boat had made since October.

Off the bow, a Haitian boat appeared. Wooden and rotting, it sloshed along beneath a pathetic sail made from mattress ticking.

"It's not a nice thing to say," said a fireman, Billy Yopp, "but I hate to board them because of the smell. They'll put 50 people down in the bilge and that's where they use the bathroom too."

Lt. Wellington had radioed Miami to board the Haitian boat when it reached Biscayne Bay, so the Current passed it by. The handful of Haitians on deck looked startled when their captors blithely sailed away. The Coast Guard crew went east toward Nassau, where the lieutenant had told the crew there would be no liberty, and the Haitians went west toward Miami, with 30 miles of liberty left.

Toward evening, the cook, Butch Dunham, said evenly, "I've been burning food for 19 years." He addressed himself to veal.

"These kids don't like veal," he said. At 39 years of age, the cook is the oldest in the crew. All of a sudden, the veal before him suffered an avalanche of processed cheese and tomato sauce. "What you've got to do is cover it up," the cook explained.

The second oldest on the boat is Chief Petty Officer Long, who is 30, and who, like the cook, is a man of tattoos. The word "animal" on his right bicep is a description of his behavior as a youth. The name "Shirley" on his left arm has been covered with an eagle. And on his chest, where it used to say, "Property of Janet," a rose covers the broken romance, and the property now belongs to "Mommy." He figured no woman would object to Mommy.

"We had a young boy going steady and he wanted her name, Ann, on his arm," said Mr. Long. From experience, the chief petty officer warned the boy that once he was tattooed, he would lose the girl. It happened just that way. "He had to go down and get a bat tattooed over Ann," Mr. Long recalled. "Fit perfect, though."

The Current is 95 feet (29 meters) long and 20 feet wide. It was commissioned in 1953 and vibrates along, using as much as 125 gallons of diesel fuel an hour,

powered by two 1,200-horsepower engines. The one sign of change in seafaring is pasted above the head: "Caution: Do not use facial tissue or sanitary napkins in this head."

The only woman on board is Seaman Francesca Bozom, who is 18. She smokes a pipe. She joined the Coast Guard "for adventure."

In a heavy sea once, she fainted at the helm, but then everyone in the crew gets seasick once in a while.

The captain, Lt. Wellington, is a straight-backed Coast Guard Academy man. He is 26 and is called, by his pimply crew, "the old man." The crew is of the fast-food generation. Members will drink soft drinks and eat taco chips for breakfast, if you let them. They do not drink coffee, and most don't smoke.

They give the cook fits. "This is giblet gravy," he said one day. "They won't touch it." They didn't. "These are lima beans," he said another day. "They won't touch it." They didn't.

They do eat, however, as long as it is junk. Brownies, ice cream, Cheez Doodles, potato chips, Fritos, Coca-Cola and whatnot are what is needed "to keep from going crazy," according to an engineer, Kevin Palecek. "I mean, look around — there's nothing to do."

"When we make a bust, it's exciting," said Randy Fielding. "It's a little scary at first, boarding, because you don't know what's going to happen, but then it's satisfying. You feel like you've done your job. The rest of the time it's like this. You stand your watch, sleep and eat. Stand your watch, sleep and eat. Boring."

The days fried by, and at night the stars hung in close over water the color of used motor oil. The old tub rumbled, shaking enough to threaten fillings.

9 in South Korea Accused of Fraud

United Press International

SEOUL — Two former bank presidents and seven other persons have been arrested on charges of helping a couple carry out lending frauds.

Lim Jae Soo and Kong Duk Chong, who resigned Wednesday as heads of the Choheung Bank of Korea, were arrested Saturday along with four other Choheung Bank officials and three private money brokers.

The nine were accused of providing illegal loans to Chang Yong Ja, to her husband, Lee Chul Hi, and two firms that were forced into bankruptcy as a result of lending frauds. The three brokers were accused of having helped Mrs. Chang and Mr. Lee in the alleged manipulation of commercial bills totaling 262.4 billion won (\$319 million). Mrs. Chang and Mr. Lee are already in custody.

Once the captain anchored and gave everyone a swim. Twice boats were boarded, but nothing was found. The boys on board talked endlessly of cars, women, whisky and women. The chief petty officer talked of a piece of ground in Kentucky where he will erect tepees and log cabins and wait for the tourists to make him rich. The captain looked to the empty horizon and his future in the Coast Guard. The head backed up.

After four days and nights, the journey was complete. The two 50-caliber machine guns, the three M-16s, the two 12-gauge shotguns and the four .45 pistols were stowed, and the crew drank milk and ate cookies all the way home.

India and China To Reopen Talks

Reuters

NEW DELHI — India and China will resume negotiations here Monday on a 20-year border dispute, but India's foreign affairs secretary has ruled out any immediate results.

Eric Gonsalves, who heads the Indian delegation, said Friday that he did not anticipate a breakthrough on the complex frontier dispute, but he said both sides have a "positive and constructive attitude." The two countries opened negotiations in December for the first time since their border war in 1962.

India maintains that China occupies about 14,000 square miles (36,000 square kilometers) of Indian territory in India's western border area of Ladakh and Aksai Chin. The Chinese contend that India holds about 50,000 square miles of former Chinese territory on their eastern frontier.

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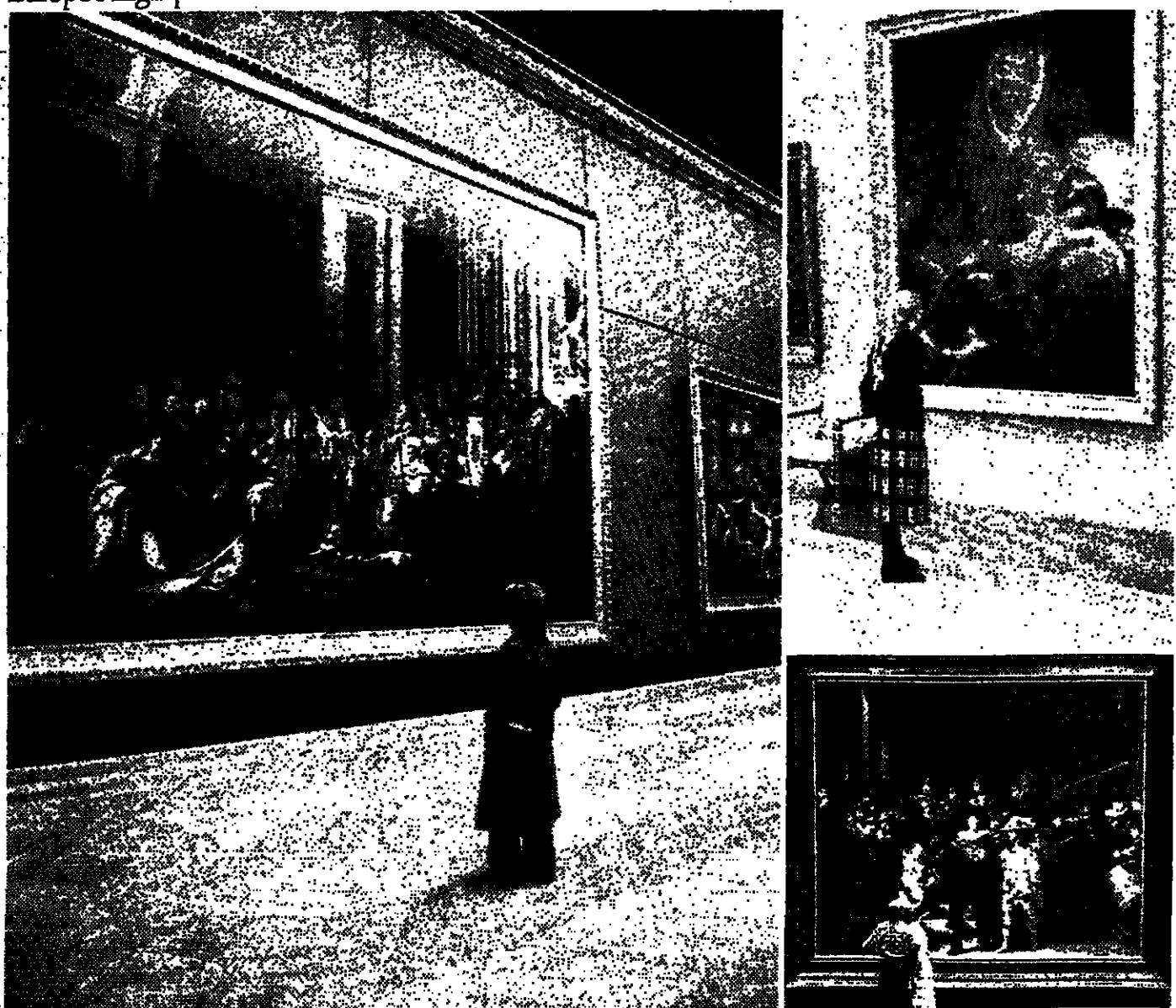
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Pioneer Data Indicate Past Venus Ocean

Scientists Speculate On 'Missing' Water

By John Noble Wilford

NEW YORK — Although scorchingly hot and dry now, the planet Venus may have once had a more benign climate and been covered by an ocean of water, according to an analysis of data from a U.S. spacecraft.

The possible existence of a Venusian ocean, several billion years ago inspired speculation as to whether some form of life might have emerged on Venus during its perhaps watery past. Scientists also observed that what presumably happened to cause the ocean's disappearance on Venus, a phenomenon known as the "runaway greenhouse effect," could someday happen to Earth.

Those conclusions and speculations were based on the discovery that the ratio of deuterium to hydrogen in the atmosphere of Venus today is 100 times greater than it is in seawater on Earth. This was considered strong evidence that Venus once had at least 100 times as much water in liquid form as it does today in the form of vapor. This would be enough to cover the entire planet to an average depth of 30 feet (9 meters).

Pioneer Venus Data
A team of space scientists, led by Thomas M. Donahue of the University of Michigan, reported the discovery in the May 7 issue of the journal *Science* and elaborated on the implications in interviews last week. The scientists worked with data gathered when a probe from the Pioneer Venus spacecraft entered the planet's atmosphere in December, 1978.

One of the more perplexing puzzles presented by Venus is that of its "missing" water. There is no liquid water on the surface today and very little water vapor in the atmosphere. Either Venus started out dry or it somehow lost nearly all of its water, with the hydrogen dispersing into space and the oxygen into the interior.

Scientists have tended to favor the latter explanation since they generally believe that Venus and Earth started out as almost identical twins. The two planets are roughly the same size, mass and distance from the sun. But they evolved into radically different worlds. The temperature at the surface of Venus is 800 degrees Fahrenheit (426 degrees Celsius), and the atmosphere is mostly carbon dioxide at pressures 90 times that of Earth.

To account for this difference, scientists have noted that the sun was probably cooler and less luminous at the beginning of the solar system, 4.5 billion years ago. Temperatures on Venus would have been low enough for liquid water to exist there. As the sun grew brighter, according to this hypothesis, rising temperatures turned the water to steam and released carbon dioxide from limestone on the surface. The water vapor and carbon dioxide combined in the atmosphere to trap solar radiation and cause the planet to become even hotter, a condition known as the greenhouse effect.

Mr. Donahue said in a telephone interview that Venus probably lost its ocean from 4.1 billion to 3.6 billion years ago.

Explaining the spacecraft's findings on deuterium-hydrogen ratio, Mr. Donahue said that a small fraction of the water on Earth contains deuterium atoms, which have the same atomic number but are twice the mass of hydrogen. Scientists believe it is reasonable to assume that originally the ratio of heavy water to normal water was the same on both Venus and Earth.

Mr. Donahue raised the question, "Could Earth be heading toward the same fate, becoming like today's Venus?"

This could occur, he said, if the amount of carbon dioxide in the atmosphere were increased significantly by burning fossil fuels, by destroying tropical forests and possibly by the disruption of the biosphere in a nuclear war.

The other authors of the report in *Science* were John H. Hoffman and Richard R. Hodges Jr. of the University of Texas at Dallas and Andrew J. Watson of the Marine Biological Association at Plymouth, England.

Ransom Asked in Italy For Britain's Daughter

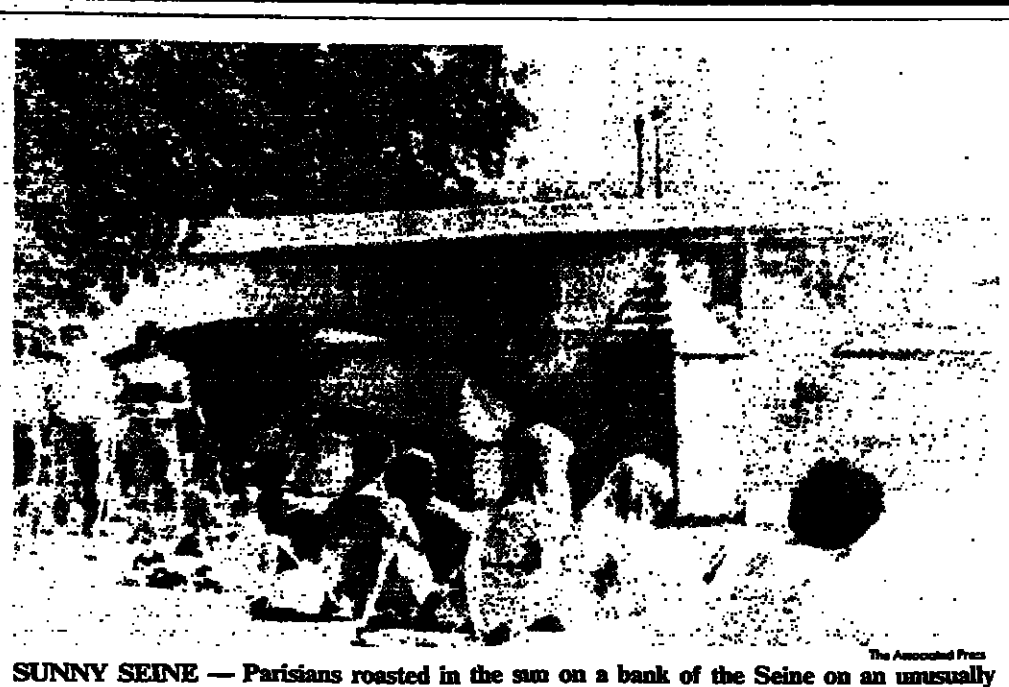
COMO, Italy — The daughter of a wealthy British anthropologist is being held for between 2 billion and 3 billion lire (\$1.6 million and \$4 million) in ransom, according to police.

It was the first official confirmation of the kidnapping of Gaby Kiss Merrill, 18, the daughter of Oscar Kiss Merrill. She has not been seen since she left her family's villa near this northern resort city on May 6 to attend a local school. Her father received the ransom demand and a letter signed by his daughter on Tuesday, police said Saturday.

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SUNNY SEINE — Parisians roasted in the sun on a bank of the Seine on an unusually warm May weekend. In the background, beyond the bridges, is the Notre Dame Cathedral.

Harvard Team Isolates Substance Said to Initiate Sleep in Humans

By Paul Jacobs

LOS ANGELES — After 15 years of research, a team of Harvard University scientists has identified a naturally occurring human substance that appears to play a role in initiating deep sleep.

The chemical, called Factor S by the scientists, has been isolated in extremely small amounts from human urine. It appears to be extraordinarily potent: The quantities needed to induce sleep in animals are measured in billionths of a gram.

The researchers, John Pappenheimer, Manfred Karnovsky and James Kruger, have not tested the substance in humans and do not expect to for several years. But in theory, it could prove to be an effective sedative, particularly because the scientists say that it does not seem to cause "rebound wakefulness" — a heightened insomnia that some researchers have said follows the use of certain sedatives.

French Researcher's Findings
Factor S seems to fit the description of a natural, sleep-causing substance first discussed 70 years ago by the French physiologist Henri Piéron.

Mr. Piéron suggested that sleep may be caused by a buildup of sleep-inducing chemicals in the brain. He claimed to have shown experimentally that spinal fluid from sleep-deprived dogs caused prolonged periods of sleep when injected into other, rested animals. But only in recent years have scientists been actively trying to identify the natural substances involved in sleep. Researchers in Switzerland and Japan believe they have isolated such substances.

Harvard's Mr. Karnovsky concedes that natural sleep may be caused by a number of such factors, perhaps acting in an orderly sequence.

Room for Dispute
The connection of Factor S to natural sleep has still not been established beyond dispute. Mr. Karnovsky said that Factor S had been tested in animals by a major drug company, and that the results corresponded to those of his team. The Harvard researchers reported that Factor S can extend the sleep of animals such as rabbits, who sleep 40 percent of the time, to as much as 70 percent of the time.

Christian Gillin, chief of the

2 Hurt in Ulster Bombings

BELFAST — Bombs exploded at two private homes during the weekend, injuring two women, the police reported. A woman was hospitalized Sunday after a bomb exploded at her home in South Belfast. Another woman was treated for shock when a bomb exploded late Saturday outside a home in Magherafelt, northwest of Belfast. The police said no one had claimed responsibility for the attacks.

United Press International

LOS ANGELES (LAT) — Hugh Beaumont, 72, known to a generation of Americans as the stern but loving father in the television series "Leave It to Beaver," died Thursday in Munich.

Los Angeles Times

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Hospitals Feared Cost, Rejected Burn Victim

Case of Uninsured Worker in U.S. Shows Institutions' Financial Plight

By Art Harris

ATLANTA — As his patient lay dying in Savannah Memorial Medical Center, Dr. David Capallo frantically worked the phones to find a hospital burn unit that would accept John Lacey, a 38-year-old house painter with no medical insurance and burns over 95 percent of his body.

Dr. Capallo was turned down by 40 hospitals across the country, until Gov. George Busbee of Georgia promised Baltimore City Hospital that Georgia would guarantee \$50,000 toward his treatment.

Many hospitals were full, including two in Georgia with special wards for burn victims, but at least half of them refused to take Mr. Lacey because he had no money.

Symbol of Crisis

"We're not condemning other hospitals for refusing to take him," said Bob Porter, spokesman for the Savannah medical center, where Mr. Lacey was taken after a cigarette ignited gasoline he was using to clean a motorcycle engine.

A burn victim is expensive to treat. The cost of his care can run into hundreds of thousands of dollars, and someone has to pay those bills.

As he clings to life on an air-and-silicone mattress in the burn unit at Baltimore City Hospital, Mr. Lacey has become a symbol of

Italy Gang Violence Kills 3

NAPLES — A garage owner was killed Saturday by pistol fire from a moving car in a fresh outbreak of gang warfare in Naples, police said.

Meanwhile, authorities said they found the bodies of a policeman and his brother near Sassari, Sardinia. They were also believed to be victims of a gang.

Los Angeles Times

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Los Angeles Times

Study Finds Alcohol Use Is Rising And Tastes in Drink Are Shifting

New York Times Service

GENEVA — Increases in average per-capita alcohol consumption in recent years have been accompanied by a change in drinking tastes, according to the World Health Organization.

Wine drinkers in countries that traditionally have preferred wine are also drinking more beer and spirits, and wines and spirits have grown in popularity with beer drinkers, the WHO study said.

The study, presented at the recent assembly in Geneva of the organization's 158 member nations, covered 25 countries — those in Eastern and Western Europe, the United States, Canada, Australia, New Zealand and Argentina. The Soviet Union declined to participate in the study.

The study found that between 1960 and 1980, the average per-capita consumption of alcohol increased everywhere except in Poland, where it dropped only fractionally, and in France.

The French per-capita consumption dropped from more than 18 quarts a year in 1960 to about 16 quarts in 1980, the study said. In that 20-year period, Luxembourg overtook France as having the highest per-capita consumption, going from about 9 quarts in 1960 to more than 19 quarts in 1980. Spain, Italy and West Germany ranked close behind France.

Luxembourg's health minister said the figure for his country was exaggerated because the statistics included take-home sales to French, Belgians and West Germans, who are able to buy alcohol in Luxembourg at lower prices.

The United States, with an average of about 9½ quarts for each resident in 1980, nearly double the 1960 figure, ranked 20th. Britain had the smallest per-capita consumption, about 7½ quarts a year.

Finally, Cleve Laub, director of Baltimore City Hospital's chronic-care facility, called to say that the hospital would take Mr. Lacey if Georgia would pay his bill.

Rep. Clint's aide phoned the regional administrator for Social Security to see whether Mr. Lacey qualified under the supplemental security income program. No, it was determined, his unemployment benefits would put him just over the limit. Then she phoned Gov. Busbee.

Cost of Treatment
Gov. Busbee asked how much the hospital wanted, and Mr. Laub replied, "\$50,000," explaining that the cost of treating burn victims is \$800 to \$1,000 a day.

Mr. Lacey remained in critical condition Saturday night, and Dr. Robert Udelman said he had little more than one chance in 10 of survival. Only the soles of his feet and the top of his head were not burned.

Not only are costs for treating burn victims extremely high, but space is at a premium, hospital officials say. Studies show that there are about 71,000 people burned badly enough each year to require hospitalization.

With tighter budgets and government cutbacks in reimbursements to hospitals, administrators are grappling with more decisions like those in the Lacey case, according to Jim Houy, vice president of the American Hospital Association, which represents 6,000 of 7,000 hospitals in the country.

Civil Guard Barracks Attacked in North Spain
SAN SEBASTIAN, Spain — Two Basque separatists opened fire with handguns on a Civil Guard barracks in the northern town of Onate, but caused no injuries, police said.

Civil Guard members returned the fire, repelling the gunmen, police said Saturday. The incident took place on Friday night.

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Herald Tribune

Published With The New York Times and The Washington Post

Requiem for an Airline

"It's hard to fathom," said a Braniff pilot on learning that his company had suspended operations. "You can chalk this one up to deregulation." Others point to the airline's creditors, who were unwilling to add to Braniff's \$733-million debt. Still others blame American Airlines, which fought hard to grab a troubled carrier's customers.

But in one sense, the pilot was right. Deregulation gave Braniff the latitude to make errors, mistakes by management that proved fatal in the unforgiving climate of a recession. Such freedom is what free enterprise is about, and it is difficult to believe the country would be better off without it.

Braniff's collapse can be traced to a decision in 1978 to expand as rapidly as the airline deregulation law allowed. Before deregulation, an airline had to have government permission to fly new routes. Such applications were usually held up for years by challenges from competing carriers. But the new law let Braniff grow, in months, from a regional airline serving the U.S. Midwest and Latin America to a giant carrier among major cities on four continents.

With success, argued Harding Lawrence, the airline's chairman, "we will be selling Braniff to all the world." It failed. The expansion was poorly planned; hundreds of millions of dollars were lost flying nearly empty aircraft to cities where Braniff was anything but a household word.

Last year, a new management backpedaled furiously. It abandoned hopelessly routes and heavily discounted fares on marginal routes. But American, a healthy rival, matched the discounts. Last month's lease of Braniff's Latin American routes raised some extra cash, but not nearly enough to cover losses. Braniff's creditors lost patience. A reorganization is still possible, but not likely.

Travelers will not suffer much; other carriers will fill the gap. If the loss of Braniff jobs is blamed on deregulation, then the new jobs at upstart airlines like People Express and Air Florida must be credited to deregulation. In any case, it is not the government's duty in a free economy to guarantee total employment in any particular industry.

No one should take pleasure from Braniff's troubles. Workers' lives are being disrupted, investors' capital lost. But without the possibility of failure, there is no way to penalize inefficiency. A Braniff kept alive by government patronage would be even worse than a Braniff in bankruptcy.

THE NEW YORK TIMES.

Mr. Smith's Tin Ear

Let's say it straight off: There was nothing illegal about U.S. Attorney General William French Smith's \$16,500 investment in an oil and gas tax shelter last year, which made him eligible for \$66,000 in tax deductions. Every taxpayer, including the attorney general, is entitled to take advantage of provisions in the tax code to maximize deductions and minimize tax. No one has a duty to pay more tax than the government requires.

Still, we think the attorney general showed poor judgment. He is both the government's top legal officer and a political appointee. As a legal officer, he is called on to defend Internal Revenue Service determinations that deductions should not be allowed on investments like these; and the theory justifying the deduction on this arrangement was described by one attorney hired to defend it as "most adventurous." He has indicated that he would withdraw himself from this case, but even so we wonder whether it is appropriate for him to take a deduction that an IRS ruling has opposed.

Even more important, by choosing personally — this was not a blind trust transaction — to make a \$16,000 investment that qualifies him for a \$66,000 deduction, Mr. Smith

has shown a tin ear for the sound of such a transaction to the ordinary person in these difficult times. Tax shelters may be familiar stuff to most of Mr. Smith's friends. But they are not for the vast majority of Americans. Mr. Smith's action will make it a little harder for administration supporters to convince voters that the primary motive behind his policies is not to further enrich the rich.

This case will lead some to ask why there should be tax shelters at all. The answer is that the tax code is complex and that, legislators' intent aside, ingenious tax lawyers and accountants will seek out loopholes that rich taxpayers can take advantage of. But loopholes that have been discovered can also be closed. This case may well give impetus to efforts to eliminate many tax shelters.

The administration, to its credit, has betrayed an unease with shelters. IRS Commissioner Roscoe Egger has made it a high priority to crack down on tax shelters he considers abusive. Some of the supporters of the Reagan tax cuts argue that one good effect is that they reduce incentives for such investments. Mr. Smith's action, unfortunately, sends a different message.

THE WASHINGTON POST.

Other Opinion

Virtually Civil War in Syria

The regime in Syria and its security organization seem to have the country back under control, but recent events have certainly exacerbated the hatred felt by the members of the Sunni faith who make up the majority of the population, and this feeling will intensify

as details of the way the Hama revolt was mercilessly suppressed gradually seep out past the official curtain of silence. The overtly visible security measures throughout the country seem to confirm the view of many Syrian intellectuals that the country is now virtually in a state of civil war.

— From the Neue Zürcher Zeitung (Zurich).

LETTERS

Fear in Iran

Regarding "Stories of Fear and Violence From Inside Iran" (IHT, April 21): J. Michael Kennedy quotes a diplomat to draw parallels between cruelty and torture under the previous and present Iranian regimes.

This is pure nonsense. The extent of SAVAK crimes over the entire period of its operation, as repeatedly being publicized by the present Iranian press, does not provide a meaningful basis for such a comparison.

Similarly, as the majority of foreigners who lived in prerevolutionary Iran will attest, the Shah's repression and its intended objective was profoundly different from those in present-day Iran.

By misleading readers, Kennedy's report damages the cause of an ever-increasing number of Iranians who, despite their disagreement with the Shah's handling of Iran's internal affairs in the past, see the restoration of constitutional monarchy as the only practical solution to their country's survival problem.

Florence. AL.

Unwanted Births

Regarding "More Unwanted Births" (IHT April 17-18): The editorial's conclusion that "the new ruling will probably raise" teen-age abortions and pregnancies does not seem to be borne out by the results of a definitive study done by Zelnik-Kantner of

Johns Hopkins for the U.S. National Institutes of Child Health and Human Development.

They studied the five-year results of organized family planning programs for teen-agers. Between 1971 and 1976, clientele increased from 300,000 to 1.2 million, contraceptive use increased 50 percent and use of the pill and IUD increased 150 percent.

With such impressive advances it would be reasonable to expect improvement in the pregnancy picture. Despite this (or because of it) premarital intercourse increased 41 percent and unplanned pregnancies 45 percent.

The problem is that contraceptive devices have failure rates. In the hands of children, the error rate increases significantly. The initiative of parental notification holds out more hope for reducing the scope of this problem rather than continuing the failure of federally funded family planning services. The venereal disease epidemic might also be mitigated.

L.J. ROBEY.

New Canaan, Conn.

Italian Art, Culture

Susan Lumsden's review of the Milan show "Italian Art and Culture in the Thirties" (IHT, March 13) is disappointing (suggesting the influence of Testori's arch-conservative art department at the Corriere della Sera). The exhibit fails to note that tens of thousands of Italians at that time were in prison or internment, or in exile or on the run from the

fascist power, including a great many artists and writers, and if Morandi survived the era it was because he was totally unpolitical and totally immersed in his work.

ELAINE F. GROSSO.

Milan.

Arms-Sale Record

With engrossing front-page articles about the Falklands, Iran, Sinai and a new birth-control pill in the April 21 edition of the IHT, it would have been easy to overlook the small article in the lower right-hand corner of Page 2.

If the "Center for Defense Information" is reliable, the United States in 1982 will set a world record, surpassing even the Soviet Union's \$30 billion in arms sales to other countries, including new customer China; Latin America and South Asia, which will receive sophisticated weapons heretofore banned to them; and 28 out of the 41 military-dominated governments in the world will be violating citizens' rights.

Shouldn't this article have been featured on Page 1?

FLORENCE A. LILANDER.

Milan.

What's a Room?

I was intrigued to read in your news item on the 1980 U.S. census (IHT, April 21) that 24 million housing units out of 74 million had one or more rooms.

Calcutta. G. GIEBEL.

In the International Edition

Seventy-Five Years Ago

May 17, 1907

Fifty Years Ago

May 17, 1932

1907: San Francisco Corruption

NEW YORK — Great interest is shown throughout the country over the developments in San Francisco, where the notorious political boss, Abraham Ruef, pleaded guilty to the charge of extortion, and promised to reveal instances of the astounding corruption that has made San Francisco the worst cancer spot in the United States. Ruef wept in court after his humiliating address. He was cited before the grand jury to make the promised disclosures. The public prosecutor states that Mr. Schmitz, the mayor, who is under an indictment similar to that of Ruef, will also plead guilty. The country hails with delight the prospect of the establishment of honest government in the city.

1932: Japanese Assassination

TOKYO — Bombs and revolvers were used by a group of Japanese militarists who shot and mortally wounded Tsuyoshi Inukai, Japanese prime minister, and created a brief reign of terror in Tokyo. Entering Inukai's residence in two groups, six men broke into the prime minister's room brandishing revolvers, and a number of shots were fired. The murderers then marched out of the house and went to the headquarters of the military police to surrender. It seems the outbreak, which came without the slightest warning, is of purely political significance and designed by military extremists to force what they call "purification of the government," under the direct control of the Mikado.

Argentina's Galtieri: The Leader Who Is Not in Control

By Mario del Carril

WASHINGTON — The president of Argentina, Leopoldo Galtieri, placed his country in the center of the world stage six weeks ago. Who is he, and why is he behaving this way?

Though many compare Galtieri to former Argentine President Juan Peron, Galtieri is neither a strongman nor a leader who has popular support. The president — 55, son of an Italian immigrant, lieutenant general and commander in chief of the army — is the visible head of a coalition of divergent interests of the military. Some observers believe that since the takeover of the Malvinas, as the Falkland Islands are known in Argentina, Galtieri has become more a spokesman for that coalition than a key decision-maker.

He has been president for barely five months. In December he took the office away from his friend Gen. Roberto Viola in an awkward palace coup.

The coalition of interests that removed Viola is an odd one from the point of view of the political dynamics of the military, which is still the only operative political force in Argentina. In this coalition, nationalists, traditionally concerned with territorial claims and inclined to encourage a protected economy, have united with advocates of a free market system and practical adherence to some of the Reagan administration's policies.

The cement of this unwieldy union is anti-Communism and the refusal of the armed forces to account for the thousands of people who have disappeared without a trace in Argentina.

Galtieri's coup was well received by U.S. officials. Viola was considered, both in Buenos Aires and in Washington, as inefficient and too committed to Argentina's traditional foreign policy of nonalignment.

During a trip to Washington last fall, just before the coup, Galtieri signaled his intention of realigning Argentina's foreign

policy with that of the United States. U.S. officials hoped that Argentina would stop voting with the nonaligned group in the United Nations and that the country would help U.S. efforts to combat revolutionary Marxism in Central America.

The Malvinas crisis proved the incompatibility of the foreign policy objectives upon which Galtieri's coalition was mounted: assertive nationalism in territorial disputes on the one hand, and assisting the United States on the

other. Since reclaiming the islands, Argentina has seen its relations with Washington deteriorate while, out of necessity, good relations with Cuba, Nicaragua and other Third World powers grow in importance.

The other conflict of the Galtieri union came to a boil before the Malvinas crisis. In late March, popular discontent with the government's austere economic policies exploded and the regime responded with a brutal crackdown. According to some

leaders of the Radical Party, there were even signs of preparations for two rival military coups.

It was at this moment that Galtieri decided, at the urging of Adm. Jorge I. Anaya, commander in chief of the navy, to take the Malvinas. He escaped from a domestic political dilemma into an international one.

He has done things like this before, though on a lesser scale and without loss of life. Last year, when he was commander in chief of the army, on his own au-

thority he closed the border with Chile and threatened war over a minor incident. Some say he was proving himself a nationalist credentials, others that he was acting on impulse. Perhaps both explanations are right.

When the Argentine armed forces were busy fighting guerrilla violence in the late 1970s, Galtieri commanded the 2d Army Corps in Rosario, a large river port city. He did not acquire a reputation for ruthlessness or cruelty as did other commanders, nor did he acquire a reputation for intelligence. Within the politics of the military, he was considered a moderate.

Galtieri, a large and robust man with very white hair — he was called "Albino" in the army — spent a year training in the United States in the early 1960s and grew fond of that country. In Argentine terms, he would be described as *campesino*, which means frank, open, good-hearted. Possibly he is too simple and straightforward to govern a country as complex as Argentina; he does not control the politics of the military, he was obviously embarrassed by his own security system when foreign journalists were kidnapped in Buenos Aires.

If Argentina wins or is defeated honorably, Galtieri will be a political asset. If the country is humiliated, he will lose whatever political charisma his recent rise to power has bestowed upon him. But in any case, the coalition of interests that made him politically powerful will fall apart.

What this means is still an open question. With luck, Argentina will see an end to autonomous military rule without it, the country will be caught in the wave of a resurgent and aggressive nationalism.

The writer, an Argentine citizen, is Washington correspondent for the English-language Buenos Aires Herald. He contributed this article to the Los Angeles Times.

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Pérez de Cuéllar: 'Filling a Void'

By Stephen S. Rosenfeld

UNITED NATIONS, N.Y. — Javier Pérez de Cuéllar is a glass of fresh mineral water in a business running to flat ginger ale. He is an engaging and articulate man, ready to accept the Argentine-British crisis as a test of the United Nations' capacity to serve world peace.

Pérez de Cuéllar, 62, is a child of the United Nations, a diplomat and international lawyer who was Peru's permanent representative and then a high functionary, lately undersecretary for political affairs, before winning election as secretary-general.

The Falklands-Malvinas crisis is the first occasion that the public has had to focus on Pérez de Cuéllar, but he has been focusing on peacekeeping for years.

To him, the secretary-general's post is one instrument of UN power, and the question is how to wield it. The UN charter endows the office with only limited and vague powers, but the position has "tremendous moral power," he says.

He cites Franklin D. Roosevelt's conception that the secretary-general should be an "international moderator."

Among his predecessors he

prefers Dag Hammarskjöld, for "his capacity to put aside his problems and concentrate on the business of the world." Pérez de Cuéllar escapes at the end of the day into music and books. He also admires the way Hammarskjöld "enhanced the functions of the secretary-general. He was a bold man. The secretary-general must always fill a void when other organs of the UN cannot act."

In the Falklands-Malvinas crisis, Pérez de Cuéllar deferred to a member country, the United States, conducting its own diplomatic initiative. But once the United States got out of the middle, Pérez de Cuéllar took up the slack. His goal was not to be a mediator or arbitrator but to offer good offices, "to be ready with some alternative."

He had the advantage, he says, of having observed what worked and what didn't for Alexander Haig. With this in mind, he altered course, excluding from his discussions the issue of eventual sovereignty and concentrating on the "procedures" of ending hostilities and opening negotiations.

"Having dealt with many international crises, I find that human beings are all the same when they are defending their interests. A lot of emotion and a lot of distrust don't help, but both countries seem interested in a peaceful solution, and they are being as helpful as possible."

He acknowledges that this crisis is not the ultimate test. The dispute is of a certain size, the violence has not become irreversible, the parties have reason to want a neutral to twist their arms, and the superpowers, not being directly involved, are letting him do his work.

A success would show the Reagan administration that the United Nations is not a "zero," as one insider puts it. It would show the Third World states — and not only them — that the quiet ways of the secretary may be able to accomplish what loud resolutions cannot.

Pérez de Cuéllar and others at the big glass palace in New York understand the importance of the event. It goes beyond his reputation and effectiveness. If the United Nations can't do this one, what can it do?

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Failure to Restore Ties With Vietnam Compromises U.S.

By Richard Walden and Gary Larsen

LOS ANGELES — There is an increasing chorus of opinion calling for a reappraisal of U.S. relations with Vietnam. A number of American visitors have come away with the impression that the Vietnamese want to strike a deal with the United States.

While the visitors do not defend Vietnam's record on human rights, they say that it is no worse than that of many of its U.S. allies. In fact, normalized relations could go far toward ameliorating Vietnam's human rights situation, the heart of the problem being its treatment of members of the old, U.S.-backed regime.

Vietnamese officials say they are tired of more than 40 years of conflict, and they talk animatedly of their desire for U.S. assistance. They claim more ideological flexibility than they are generally given credit for, and say they are anything but doctrinaire Marxists. They face the fact that Hanoi's allegiance to the Soviet economic model isn't working and are developing incentives for the private sector. Although they are constrained by their dependence on Comecon,

the Soviet bloc economic system, the Vietnamese see normalized relations with the United States as a way to strengthen their historical independence.

The U.S. State Department has said that a political settlement is possible provided that Vietnam withdraws its 200,000 troops from Cambodia in return for a U.S. promise that Pol Pot's 50,000 Khmer Rouge guerrillas would be kept from returning to power. Washington would accept a neutral Cambodia and accord diplomatic recognition to both Vietnam and Cambodia. But department officials privately express reservations about being able to keep Pol Pot from returning to power, and the Vietnamese are skeptical about Washington's promises.

The large number of U.S. soldiers still missing in action also stands in the way of a rapprochement. The missing men's families, supported by several members of Congress, still exert a powerful influence against normalization. But the State Department has

little hope, let alone evidence, that any of the 2,500 men are still alive.

Yet another obstacle is the 1.4 million Indochinese refugees, whose existence is interpreted by the United States as proof of a repressive Vietnamese government and given as an excuse for a tight economic blockade for Indochina. However, the sanctions may be partly responsible for the exodus. The U.S. Immigration and Naturalization Service now routinely classifies these people as economic rather than political refugees.

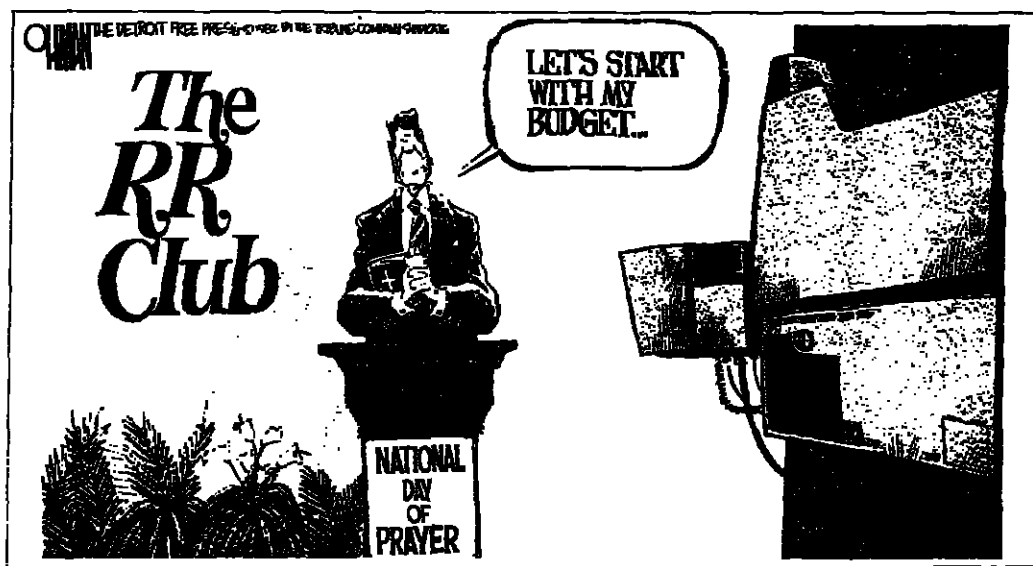
A failure to normalize relations with Hanoi compromises the U.S. national interest in several ways. It provides uncritical de facto support for Chinese objectives in the region; the encirclement of Vietnam through the continuing presence of 300,000 troops on Vietnam's border and reinstallation in Cambodia of the Pol Pot regime. This virtually assures continued instability in the region and involves the United States in support for Pol Pot. It also hampers U.S. efforts to

counter Soviet access to Vietnamese military bases and limits Washington's ability to prevent the Russians from exploiting their status as the major source of Vietnam's economic assistance.

In order to achieve regional stability in Indochina, the economic blockade should be lifted. Access to U.S. aid would enable Vietnam to begin a U.S.-style economic restructuring to help make Vietnam self-sufficient and reduce the flow of refugees, most of whom head for the United States.

Normalization would also allow Washington to encourage an Indochina free of excessive Soviet or Chinese influence, and might nudge Vietnam to emulate Yugoslavia.

Richard Walden is executive director of Operation California, an international relief organization based in Beverly Hills. Gary Larsen is a member of the group's board, was a State Department regional development officer in Vietnam from 1969 to 1973. They wrote this article for The New York Times.



A Solution for Salvadoran Refugees

By Roger Conner

WASHINGTON — As violence escalates, people are fleeing El Salvador by the thousands, seeking safety and asylum to the north. Nearly all make a long and painful journey through the length of Mexico, and then enter the United States, where they apply for asylum as political refugees.

The dispute between U.S. officials and advocates of asylum has been heated. The Reagan administration argues that many, if not most, Salvadorans who left their country did so for economic, not political, reasons. Those who seek asylum for Salvadorans argue either that "s" of that country's citizens are in danger from the civil unrest, which is political, or that economic and political factors are so intertwined in El Salvador that they cannot be separated.

Some Legal

Some Salvadorans entered the United States legally before the violence erupted and are now fearful of returning. But even if these students and visitors were allowed to remain, that would trigger demands for asylum for Salvadorans who entered the country illegally before the violence began.

Lost in the dispute is an obvious fact: The Salvadorans are applying for asylum to the wrong country. Just as people escaping Eastern Europe are safe once they reach Austria, and those leaving Indochina are safe in Thailand or Malaysia, so those fleeing El Salvador's civil strife are safe as soon as they enter Mexico.

Mexico enjoys a stable government, has in the past extended

asylum to a range of political refugees (from Leon Trotsky to the widow of Chile's Salvador Allende) and has been outspoken in its concern about human rights during recent conflicts in Central America. It shares the language and culture of the refugees and can provide them with a congenial milieu while they await their safe return to El Salvador.

Mexico is logically the country of first asylum for refugees streaming from the turbulent countries of Central America. Those who continue through Mexico and enter the United States illegally are not coming to the United States for refuge; they would not be safer in the United States than they would be in Mexico. They continue north either because they fear that Mexico will define "refugee" more strictly than does the United States, or because they believe they will be better off economically.

Anyone who claims that Salvadorans can receive refuge only in the United States should try to prove that Salvadorans have been politically persecuted in Mexico. Once it is recognized that Mexico is the logical and legal country of asylum for Salvadorans, a great deal can be done by the United States to assist the refugees and to relieve the financial burden on Mexico. That task can probably be best accomplished through the experienced and respected office of the UN High Commissioner for Refugees. The United States, already the largest single contributor to the activities of that office,

would of course absorb a major share of the costs, but other nations would also be expected to contribute to the effort.

Some Salvadorans would, no doubt, be allowed to come to the United States. Applicants would be screened for eligibility by criteria established in the Refugee Act of 1980. If they qualified under the international definition of refugees, by showing that they had been persecuted in El Salvador for their political beliefs or actions, they could be admitted. Under that procedure, legitimate needs could be accommodated without triggering a rush from El Salvador of those who simply saw an opportunity to better themselves.

The writer practices environmental law in Michigan and is the executive director of the Federation for American Immigration Reform in Washington. He contributed this article to the Los Angeles Times.

Sharing the Burden Of Health Care Cuts

By Robert J. Samuelson

WASHINGTON — One of the ideas that President Reagan cannot apparently abide either intellectually or temperamentally is the notion that government distributes massive and often undesirable — benefits to the middle class. In his mind, government simply taxes the middle class and spends for the poor.

This simplification, as much as any other reason, explains the current budget impasse and the administration's failure to develop a conservatism worthy of respect.

Perhaps the best illustration of Mr. Reagan's social blindness is his health policy. When the March consumer price index registered its first monthly decline in 17 years, health care still rose at more than a 12-percent annual rate. But the president has simply proposed cutting spending for the poor and elderly, without attacking the large tax subsidies for the middle class.

Few issues warrant more attention. The aging of the U.S. population will inevitably increase demand for health care (the elderly already account for about 30 percent of health spending), and an inflation-prone, inefficient system will increasingly strain the federal budget and the private economy. Since 1950, health spending has increased from less than 5 percent of the gross national product to about 10 percent.

The administration's cutbacks for Medicare and Medicaid patients implicitly presume that their excessive use of health care is the only problem. But it isn't. The federal government will subsidize the health care of the non-elderly and the non-poor to the tune of about \$24 billion in 1982. Unless this subsidy operates differently from

all others, it means that people receive more health care than they would otherwise buy.

The chief subsidy (nearly \$21 billion) is special tax treatment for employer-paid health insurance. For the worker, it is a form of compensation, but it is not taxed as income. This has encouraged the pursuit of comprehensive medical insurance, which has made many families almost oblivious to health costs.

Virtually every serious precompetition health proposal would reduce this subsidy. The standard suggestion is to put a cap on non-taxable payments of, say, \$1,500 a year. In practice, workers would pay taxes on income they had never seen before.

The hope is that, by making some of these payments taxable, companies would cut back (and workers would accept) less expensive forms of insurance that would include more cost-sharing. In turn, patients and doctors would become less lax in using and ordering health services.

Some preliminary studies are encouraging. An experiment by the Rand Corp. found that workers who paid 25 percent of their medical costs (up to \$1,000) used one-fifth less medical services than those with full coverage.

The president has evaded the basic issues and taken actions that appear to hurt only society's most vulnerable members. Not only is this unfair, it is likely to be ineffective. If government limits its own health costs, doctors and hospitals almost certainly will find ways to shift more of their expenses to private patients and insurance firms.

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Economic Woes, Tension Among Parties Keep Pressure on Ruling Coalition

By Ken Pottinger

THERE has hardly been a year in the past eight of Portugal's post-revolutionary history that has not been a testing one, and 1982 is no exception. Serious economic and political problems have caused even Social Democratic Premier Francisco Pinto Balsemão to warn that without increasing help from its friends, this key NATO nation could become another "Poland or Turkey."

Comfortable Majority

Allowing for expected hyperinflation, the premier, at the head of a two-year-old rightist coalition, obviously intends his remarks to be taken seriously. For it is a fact that neither internal nor external factors are propitious for the short-term economic recovery Portugal desperately needs to prepare for its 1984 integration into the European Economic Community and there is serious concern over this both in Lisbon and Brussels.

It is also true that despite a comfortable parliamentary majority and a mandate to govern

until October, 1984, the Democratic Alliance is rent by internal conflict, uneasy relations and leadership of inconsistent effectiveness.

In the past year, the three-party coalition of Social Democrats, Christian Democrats and Monarchists has failed to achieve much of a dramatic nature, leaving its opponents ample room for attack. However, the major opposition Socialist Party is also preoccupied with internal problems so the anti-government offensive has been led by the Communist-backed trade union federation, CGTP-Interindustrial, which has staged two nationwide general strikes this year and a host of smaller but aggravating stoppages.

Despite the polemical effectiveness of the general strikes, their psychological impact has been considerable and there are signs that the man in the street is growing tired of constant interruptions in his daily life caused by the labor unrest that has plagued Portugal since the beginning of the year.

More importantly, the uninspiring performance of a series of



Antonio Ramalho Eanes

finance ministers over the past 18 months has failed to generate the confidence needed by investors and entrepreneurs nor has it motivated the labor force to boost low standards of productivity and bring about the business

boom that all underlying conditions show to be latent in the Portuguese situation.

The potential for major successes, especially in tourism, agriculture and export-oriented manufacturing, is unquestionably large. The problems include bureaucracy, ineptness, lack of initiative, senseless obstructionism and a mindset that completely ignores simple solutions. But the difficulties are not insurmountable and Portugal as one of the least developed countries in Western Europe remains an attractive investment.

The political situation, which was chronically unstable in the first years of post-revolutionary developments, took a dramatic change for the better in December, 1979, when the Alliance, cobbled together by then Social Democratic leader Francisco Sa Carneiro swept to a general election victory and promised to change the face of Portuguese politics.

The plan was aborted a year later when Sa Carneiro died in a plane crash. His successors have proved unable to follow in his footsteps and it is becoming in-

creasingly likely that the coalition will collapse sooner or later. The timing of this development is not clear but it probably will only happen after local elections toward the end of the year. The demise of the Alliance will naturally cause some political difficulties but a new form of center-left or center-right grouping is most likely to emerge to replace it.

Meanwhile, a major battle is raging over revisions to the 1976 Marxist-colored constitution, which, in the heady aftermath of the revolution, incorporated a range of clauses and language inappropriate to the reality of present-day Portugal.

The Portuguese Communist Party, Western Europe's most staunchly Stalinist, is leading the effort to prevent any sweeping changes to the nation's charter, which pledges to take Portugal along the road to Socialism and makes irreversible the sweeping nationalizations that followed the 1974 revolution.

The most significant revision will be that which phases out the Council of the Revolution, the military watchdog body set up to oversee the return to democracy.



Francisco Pinto Balsemão

With the council's demise, the officially termed "period of transition to democracy" will end, military tutelage of the regime will stop and for the first time in its history Portugal will consider itself a full-fledged democracy.

(Historians argue over whether the earlier 1910 experiment in democracy during the first republic, could really be considered democratic.)

But even as the country approaches this benchmark shadows are gathering over the complex political system operating here.

Nonstop bickering among the nation's politicians is beginning to give politics a dirty name for the man in the street while business leaders and important pressure groups are starting to question the suitability of the parliamentary system now operating and are casting about for alternatives.

The only democratic option open to the doubters is the enigmatic figure of the Portuguese president, 45-year-old Gen. Antonio Ramalho Eanes. Elected to the post by an overwhelming majority for a second term in December, 1980, President Eanes' image improves in direct relation to the declining popularity of the politicians.

There are growing pressures on President Eanes to modify the present power-sharing semi-pres-

dential system in favor of a direct French-style presidential government, allowing strong and decisive centralized rule and adequate measures to deal with the dramatic economic situation.

But the president, a committed democrat, has all along proved reluctant to upset the delicately balanced system, believing that the parties must be given time to mature and establish a tradition of government along Western European lines. The politicians, however, have been lamentably slow in assuming their responsibilities, leading to the present questioning over the suitability of the system.

The dangers inherent in extending existing presidential powers lies in the residual fears of dictatorship stemming from 48 years of experience prior to the 1974 revolution, but more importantly to presidential reluctance itself.

For Gen. Eanes is far from considering himself a "Portuguese de Gaulle" and many around him actively discourage any tendency to think otherwise. How the Portuguese are going

(Continued on Page 12S)

Herald Tribune

MAY, 1982

A 'Difficult' Economic Situation Clouds 1984 Entry Into the EEC

THE STATE of the national economy and membership of the European Economic Community are two closely related issues generating great mixed feelings in Portugal at the moment.

Critics, describing the economy as "alarmingly close to disaster," decry the "weak and inadequate" policies of Finance Minister João Salgueiro and suggest that to join the EEC under present circumstances would be suicidal. In its defense, the government lays the blame for Portugal's economic straits on international factors such as the world recession, high interest rates, oil prices and the appreciation of the dollar.

Together with Portugal's worst drought in a century, now over, continued dependence on imports for energy requirements and the negative effects of recession on hard currency earners such as tourism and emigrants' remittances, these factors have led to a "difficult" economic situation, the ruling conservative coalition claims.

Austerity Measures

It refuses to be drawn into disaster scenarios but a tough package of austerity measures was announced late in April in an evident attempt to control the runaway external debt situation. This debt is likely to become even more troublesome as vital emigrants' remittances and tourism stagnate in

1982 for the first time in three years.

Earlier this year, Premier Francisco Pinto Balsemão presented the 1982 budget, which he said was designed to help put Portugal's house in order.

The total planned deficit of \$2.2 billion in 1982 is slightly higher than last year's and the government has scheduled a 3-percent overall reduction in state expenditure, rigorously controlled ministry by ministry, in a bid to avoid levying tax increases to cover the deficit.

External Debt

Meanwhile, with the international outlook remaining cloudy for the next two to three years, the OECD is forecasting that Portugal this year will have a low 2.75-percent growth rate, a current-account deficit equivalent to about 9 percent of the gross national product, inflation equivalent to about 18.5 percent (23 percent last year) and gross fixed capital formation of 3 percent.

There is currently much concern, outside official circles, over the rate at which the external debt is growing and the bunching up of a number of short-term repayment commitments in the next 12 months. The total debt now stands at \$10 billion and Portugal will lat-

er this year face rescheduling negotiations for part of this, which economists say could bring in a new round of IMF-imposed austerity in a bid to stabilize the situation.

The position is complicated by a less than expected rate of productive investment, highly inefficient farming, excessive bureaucracy, one of Western Europe's lowest productivity rates, widespread cynicism about political will for a genuine economic transformation and a clandestine economy said by well-informed sources to extend to 30 percent of the gross national product.

A former Socialist finance minister, Vitor Constancio, warned recently that the external-debt situation might prompt the government to sell off some of its 689-ton gold reserve, which in turn would seriously affect international confidence and the willingness of foreign bankers to continue lending Portugal large sums. The government declares it has no such intentions but the arguments continue and serve to underline the increasing seriousness of the position.

The economic situation is gloomy and there are many leading businessmen who are disillusioned about the hopes for private enterprise and development that two years ago they pinned on the

(Continued on Page 9S)

Patient Endeavor Pays Off in Ties With Former Colonies

WHEN President Antonio Ramalho Eanes flew into Luanda airport last month on a five-day state visit to the former Portuguese African colony his trip marked a new and important stage in the nation's post-revolutionary foreign policy.

His Angolan visit was the culmination of vigorous and continuous efforts since he came to office in 1976, to heal the wounds between Portugal and its former African possessions — Angola, Mozambique, Guinea Bissau, Cape Verde and Sao Tome. The president seeks to underline the benefits of a new style of equal-footed cooperation between Lisbon and the Portuguese-speaking African world, underlining a cornerstone of the policy to establish a privileged relationship — a bridge to Africa — between Portugal and its former possessions.

It has been a long and hard struggle complicated by the often-strident Marxism of the newly independent nations and the greater

or lesser involvement of the Soviet Union and their allies in all of the former colonies. However, patient endeavor has paid off, and as disillusionment with the failure of the East Bloc to deliver development and technology has grown, Portugal has been able to quietly to boost trade and mutual cooperation.

The efforts were crowned by President Eanes' recent state visit to Angola when businessmen traveling with him tied up nearly \$300 million worth of contracts and Angolan officials made it clear they were looking to Portugal as their gateway to contacts with the West. It was, as one Angolan leader put it, "an historic change of direction" for Angola.

Lisbon's biggest drawback is its lack of financial resources to give form to the trade and development needs of the former possessions. Last year the nationalized banking system extended \$325 million worth of credit lines to four of the ex-colonies, a generous sum for a

country with huge foreign debts of its own. In a bid to overcome these problems, Portugal has proposed to the EEC that member countries get involved in tripartite projects with Lisbon and especially Mozambique and Angola, the two largest former colonies for a major reconstruction program of the two nations' economies.

Lisbon would contribute cheap manpower medium-level technology and long experience of the areas and the EEC countries. Improved relations with Portuguese-speaking Africa is a cornerstone of Lisbon's foreign policy and an important card in its bid for membership of the EEC. It also represents an important and growing market for Portuguese exports facing stiff competition on contracting traditional markets.

It should be noted that the new relationship now developing between Portugal and its former African possessions is totally different from that forged by France with its former colonies. It is quite

inconceivable, for instance, that Portugal would ever send troops into the area to overthrow a regime no longer to its liking, as Paris did with Emperor Bokassa and the Central African Republic.

Outside of Africa, Portugal's main foreign policy thrust is to consolidate its ties to the Common Market and NATO and strengthen its links to the United States.

It is also interested in improving relations with the Arab world, with which it shares some common cultural and historical experiences, securing its oil supplies and boosting incipient Arab investment in Portugal.

If it is having increasing success in Africa, there is one area — Southeast Asia, where Portugal's diplomatic track record is badly tarnished. The tragic saga of East Timor, the forgotten Portuguese colony illegally annexed by Indonesia in 1975, remains a stormy and controversial subject here.

Despite years of efforts by Portugal at the United Nations and bilateral negotiations with Indonesia, Jakarta, tacitly supported by Washington, refuses to budge on Lisbon's demands that it pull out of Timor and allow the people there to decide for themselves whether they wish to be independent or part of the Indonesian federation.

The issues show no signs of early resolution and Lisbon unofficially admits its impotence in the face of Indonesia's de facto control. Meanwhile, the reports of deaths by starvation and war in the colony continue to reach Lisbon, as do trickles of refugees looking for a new life.

Apart from Timor, there are no other areas of contention in Portugal's foreign policy except for some fear about its future role in NATO, of which it is a founder member, once neighboring Spain joins the pact.

Portugal jealously guards its position as commander of the important Southeast Atlantic flank of the alliance and landlord of the vital American air base at Lajes in the mid-Atlantic Azores archipelago.

Spain, with its important naval bases, the Canary Islands outposts off the coast of Morocco and



Ministry of Foreign Affairs in Lisbon: "Palacio das Necessidades."

Humorous Approach to Serious Business

By Martha de la Cal

COMEDIAN Herman José is the television rage of the moment in Portugal and somewhat of a gadfly to its politicians.

He comes on TV screens every Sunday afternoon to liven up the three-hour variety show "Passado das Alegrias" as "Tony Silva," an excitable character with outlandish socks and hair parted just above the ear, who alternates jolts in a chair or throws himself around the stage while telling outrageous stories and making comments on present events and people as the show's host, Julio Isidro, feeds him questions.

Tony Silva is a caricature of the Portuguese who adopts all of the new fads, uses foreign words he cannot pronounce and has an opinion — no matter how distorted — about everything. His creation, Herman José, considers Tony Silva a bit of an anarchist, saying and doing what he pleases.

Alternate Side

He is obviously the alternate side of the character of José himself, a quiet, analytical young man of 28 who sits quietly and speaks softly as he expresses pessimistic views of the future.

On the show, Tony Silva also sings rock'n'roll songs to the accompaniment of tango music or waltzes, does one-man skits, imitates a wide range of accents and voices, lets out sudden shrieks and does an occasional pratfall. He also makes gentle fun of local politicians and international leaders like President Reagan and Prime Minister Margaret Thatcher.

In one particularly funny episode he described an imaginary trip to Washington, where he visited President Reagan. Tony Silva



Herman José at TV studio in Lisbon.

described how the president promised he "would visit Portugal — and then go on to Europe."

According to Tony, President Reagan had praised Lisbon as "one of the nicest cities in Spain." In another skit Tony portrayed a mad, Hitler-like German terrorist named Adolf, who kidnaps Portugal's Minister of the Interior Angelo Correia. The skit was aired just after Minister Correia had used shock police against workers during a general strike and had then claimed a vast insurrection had been imminent because police

found three guns and revolutionary propaganda in a car.

In Portugal, where politicians do not take kindly to being laughed at and where the concept of freedom of expression is not yet fully understood, these stories and skits earned him the disapproval of some members of the conservative Democratic Alliance government. José, who claims to be a political moderate, was attacked by the right-wing press and championed by the left.

He was invited to the palace by Premier Pinto Balsemão — himself

a former newspaper editor who experienced censorship under the pre-revolutionary regime — for a little chat.

José denies that he felt he was being censored when the premier called him in. "I felt he was interested in me personally, and, as a newspaperman, he wanted information," José said.

He said the premier asked him why he made jokes about Americans and the local government but did not make jokes about the Russians or the Portuguese Communist Party. He asserted: "I told him it was easier to criticize moderates. Reagan tells jokes. Brezhnev does not. I leave the Communists alone because they have no sense of humor."

José says a politician's job has a lot in common with his as a comedian. "They have to be actors, too, when they speak and try to conquer the people; even the premier told me this," he said.

He admits, however, that there is a certain amount of indirect censorship in Portugal. He realizes that with 70 percent of the television audience hanging on his every word, the government cannot be happy when he starts criticizing them. "It is not worth the trouble to start lampooning certain people," he noted.

Show on the Road

He added: "I would not think of making a joke about President Eanes. He is treated like a saint by the press, so they would attack me. And, if I started lampooning Communist leader Alvaro Cunhal, I would have trouble with the workers in TV."

Besides his TV performances, José does a one-man show he takes on the road through towns and vil-

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PORTUGAL

Agriculture Plus Tourism: Elements of 'New' California?

By Jill Jolliffe

LISBON — Apart from the benefits that Portugal will receive, the impact of its projected EEC membership will be severe on certain sectors of the economy, particularly agriculture, perhaps forcing many of the country's 800,000 farmworkers to leave the land.

In these circumstances, political leaders are anxious to promote the country's economic strong points, which include tourism. If they have their way, Portugal could become a European leader in this field.

The popular image of Portugal as an agricultural country is inaccurate — only 27 percent of the workforce derives its living from agriculture, while income from agricultural production constitutes an even smaller percentage of the gross national product — 13.7 percent. Moreover, Portugal imports most of its foodstuffs.

One of the reasons for this mistaken image is the attention focused on the dramatic struggle for agrarian reform waged by leftist farmworkers during the 1974 revolution. And the agrarian question still occupies disproportionate space because neither centuries of wrangling over it, nor the revolution that promised to resolve it, succeeded in remedying agriculture's fundamental problems. Portuguese agriculture functions well below its potential.

Basic Problems

The agrarian reform effected by the revolution in the southern Alentejo zone brought social justice to farmworkers, in terms of guaranteed access to the land, decent wages and fixed employment, but failed to tackle basic technical problems. Alentejo soil is generally poor, with climatic extremes, drought and sudden frosts being two of the worst enemies. Wheat-growing has been encouraged at the expense of a greater diversification of crops and the basic problem of irrigating the Alentejo has not been tackled. The social organization of agricultural labor changed after 1974, without profound changes in land use patterns.

For political reasons, the conservative Democratic Alliance government reversed many of the Alentejo land reforms after it came to power in 1979 and a large percentage of collectivized land has now been returned to its former owners.

Whereas landholdings in the south have been traditionally on a large scale (whether owned by in-

dividuals or the Communist-led collectives), northern Portugal is a patchwork of small plots owned by peasants, inherited and divided over generations. Here the land is more fertile, but the walls that separate family plots impede the development of modern farming techniques as mental as well as physical. Many small enterprises will almost certainly collapse with EEC entry unless they have the benefit of a long transition period.

Tourism Potential

Given the problems of Portuguese agriculture, it could be argued that perhaps the country should abandon pretensions to being a successful agricultural producer and concentrate on areas of proven success, such as tourism.

Antonio Barreto, the controversial former minister of agriculture under the Socialist government of 1976-77, doesn't agree. He thinks the country should base its future on developing both its agricultural potential and light industry. Dr. Barreto is the man who drafted the law to break up many of the collectives and return land to private ownership. At the height of the battle over agrarian reform, his name was denounced on street walls all over Portugal.

He does not agree with the way his law has been applied since the Democratic Alliance came to power — "they returned the land to friends, political clients and absentee landlords," he says — but has in any case abandoned political activity for writing. He was recently commissioned by the Catholic University of Lisbon to direct a research project on Portuguese land reform between 1974 and 1976. The result is a nine-volume study, ready for publication, of which Dr. Barreto wrote two volumes.

He believes that with sound direction Portugal could become agriculturally self-sufficient within 20-30 years (including nonfood products such as resin, paper, cork) and could even approach food self-sufficiency.

Fishing Industry

The Portuguese fishing industry is producing at half its capacity, he claims, while in the last two decades around 1 million hectares of pasture land has been lost. "Portugal has the lowest rate of irrigated land in Europe. Moreover, some of the dams built in recent years were highly politicized — their resources were not actually used," he argues. "We should stop building big dams in favor of small ones, with which we could irrigate much of the Alentejo and double or triple production. We should re-

duce wheat cultivation and only produce it on appropriate lands."

Most observers agree that the dairy industry faces disaster when Portugal joins the European Community unless urgent measures are taken to prevent it.

At present, Portuguese milk is more expensive than other European milk and there are shortages for several months of the year, whereas the rest of Europe has a milk surplus. One of the reasons for this is that Portuguese milk consumption has risen drastically in the last 15 years, a byproduct of social revolution.

The large majority of Portuguese milk producers are based in the north, owning no more than one or two cows. Their marketing infrastructure leaves a great deal to be desired: Women daily carry milk cans on their heads to market, where it may be stored one or two

they import from the United States to supplement the "soft" grains they grow locally. Portugal will thus switch to importing its "soft" lower-quality wheat from France or Spain, buying "hard" grain at the higher U.S. price. Two major efforts will be needed in this field — a drive to increase local yields, and a tough attitude by Portugal's EEC negotiators to ensure adequate protection for local producers.

One field where Portuguese agriculturists have proven their potential is in the tomato-pulp industry. The quality, price and volume of tomato production is competitive with that of Italy, Europe's best-known producer, which, as an EEC member, receives subsidy of \$200 per ton.

If Portugal received this subsidy it would become the cheapest world producer of tomato pulp. The future of this industry will depend on hard bargaining by Portugal's EEC negotiators — a process that has barely begun. Government critics are alarmed at the failure of the Democratic Alliance government to begin the serious work of negotiating the most troublesome of the EEC dossiers, although the government publicly espouses a policy of rapid EEC entry, scheduled for 1984.

The critics claim that the government has for domestic purposes negotiated the easiest of the dossiers (the government announced in February that five dossiers had been completed) but that by doing these first it has reduced its bargaining power on the questions that count, such as agriculture, textiles and labor.

Orchard Products

The tomato-pulp success story points to the new roads that Portuguese agriculture could explore, even as it is adjusting to the demanding EEC transition.

Portugal produces excellent market-garden and orchard products which, allied with advanced marketing techniques, could become export products in high demand in Europe.

Luxury tropical fruits could also be produced, as experiments have shown. "You don't see Portuguese strawberries on sale in downtown Brussels. Why not?" a Western diplomat asked. "Northern Europe imports its out-of-season fruits and lettuces from the U.S., but Portugal could supply early strawberries, citrus and melons."

One reason is Portugal's lumbering, bureaucratic economic infrastructure: There is no tradition of quality and quantity control, at-

tractive packaging and quick marketing.

The potential for market-garden products is a favorite theme of Michael Stilwell, a long-time English resident of Portugal whose family manages the five-star Penina Hotel in the Algarve.

Quality, Not Quantity

An enthusiastic advocate of Portuguese tourism, he sees no need for Portugal to enter into the mass tourism field as Spain has. "Portugal offers quality rather than quantity tourism, the basic reason being that the country's infrastructure is not big enough to go for quantity and, besides, mass tourism would destroy the country's attractions."

Last year Portugal had 4 million tourists — half of its own population — putting a great strain on the country's resources. Each year there are shortages of basic products like bread, milk and butter at the height of the season, forcing the country to import to fill the gaps.

Mr. Stilwell believes that if the country's agricultural resources were properly exploited and market-garden products encouraged, there would be a more harmonious balance between tourist and agricultural development. "The conditions are here for Portugal to become another California if things were tackled on an organized scale," he claims. "Instead, our hotels serve asparagus imported from Spain."

Since the conservatives came to power in 1979 they have opted for a policy of quality tourism, expressed earlier this year when Tourism Minister Nandim de Carvalho decreed that visitors to Portugal must have a minimum of \$75 on them to enter, plus enough to support them for each day of their stay.

Primitivist Restrictions

It was not a high amount, but was expressly intended to discourage youthful backpackers, and reminded some observers of the primitivist restrictions in force before the 1974 revolution when tourists were warned, for example, that they should not wear bikinis on Portuguese beaches.

Despite a decline in tourism during the turbulent post-revolutionary years, Portugal has benefited from the influx of youthful tourists interested in discovering the many intrinsic virtues of Portuguese culture. They may not contribute much in net revenue, but as one journalist remarked, "the hitchhiking backpacker of today is the bank manager of tomorrow," and many young people who gain



TRIED AND TESTED: For some tasks, the old methods are as efficient as the new. Here a Portuguese farmer works in an orchard outside Lisbon.

an affection for Portugal will return to spend money in the future.

The quality of tourist facilities is such that Portugal can cope with both the young tourist exploring the world cheaply as well as the retired executive who wants comfort and clean, efficient service, without resorting to mass tourist facilities such as those in Spain.

Although prices have risen steeply in recent years, the state-

run *pousadas* still offer a good international bargain. Usually situated in historic buildings, these tourist inns offer impeccably clean and attractive rooms with restaurants that serve specialties of each region. Within the same town the backpacking executive-to-be can find a clean room with running water, breakfast included, for a few dollars in a pension or youth hostel. He can eat well at a local tavern for a small outlay.

Although some sections of the Algarve coast, such as the area around Albufeira, have been spoiled by uncontrolled tourist development, Portugal has been saved the worst excesses of mass tourism and can obviously lay plans for this growing sector. The ideal day will be when the student tourist and the retired executive can enjoy locally grown asparagus in their respective pension or *pousada*.

PORTUGUESE ECONOMY: RECENT DEVELOPMENTS

The Portuguese economy faced in 1981 a difficult process of adjustment to strong internal and external shocks. Domestically, the worse drought of the past fifty years, which hampered agricultural and energy production, was registered giving rise to increased imports of these goods.

On top of this, several major external factors affected the Portuguese economic situation in the past year: slow rates of growth—following the second oil shock—in our major trading partners, the rise in U.S. interest rates, which triggered similar movements in many European countries and led to the dollar appreciation.

The international recession together with the maintenance, and in some cases strengthening, of protectionism, particularly against textiles, had negative effects on Portuguese exports, tourism and emigrants' remittances. Besides, the soaring of the dollar had a strong direct impact on the Portuguese external debt service and indirectly, due to the openness of Portuguese economy, on domestic prices. This implied the need to raise subsidies to public enterprises, mainly to those which import essential goods—oil, cereals, etc., in order to prevent the rise in import prices to spill over fully into domestic prices, thus further aggravating inflation. These large subsidies together with the increase in public debt services—in part due to the dollar appreciation—were the main causes for the worsening of the public sector imbalance.

In fact, as a consequence of the adverse international environment and unfavorable weather conditions, besides structural difficulties, the Portuguese economy recorded a certain deterioration in 1981, reflected in the worsening of the external current account and the public sector deficit, in the stagnation of output and in a slight increase in inflation.

Thus, the Government is concerned with pursuing a policy of cautious expansion, aimed at—according to the priorities set in the Plan for 1982—reducing the public sector deficit, improving the external current account, curbing inflation and developing productive investment, in order to ensure that employment will, at least, be maintained.

The main objective that the Government aims at achieving in 1982 through budgetary policy—and which underlies the guidelines for the General State Budget (GSB)—is the reduction of the current deficit, in real terms, and hence of the overall public sector deficit.

The reduction of current public sector deficit—envisaged at approximately 3.5% of GDPmp—is based on measures which favour reducing expenditures rather than increasing tax receipts. These, in the absence of a significant expansion in output, can hardly rise substantially without a further increase of the tax level (estimated at 31.5% for 1982). Hence, budgetary policy in 1982, in so far as tax receipts are concerned, involves a set of measures which aim simultaneously at improving the equity and efficiency of the Portuguese tax system.

The reform of the Portuguese tax system aims at rendering it more effective as an instrument for support of the economic development efforts; on the other hand, the Government aims at simplifying it in anticipation of the future Portuguese integration into the EEC. With this objective, studies are underway aiming at the implementation of a value added tax (VAT) and at the introduction of a global income tax.

On the expenditure side, the proposed measures rely on stringent austerity rules, aiming at cutting down non-essential expenses. They also assume better management of Government services and agencies. This shall imply the elimination of some governmental bodies, and an effective mobility of civil servants among agencies or even among sub-sectors of the Public Administration. The Government deems it possible to achieve an average increase in productivity of the administrative public sector of the order of 3%, implying savings of about 2.4% in the current expenditures projected for 1982.

Budgetary policy will play a central role in checking domestic demand, as deemed absolutely necessary in 1982, in order to reduce the imbalance in the external current account—from around 10% of GDPmp in 1981 to 7% of GDPmp in 1982. The achievement of this objective counts mainly on the increase of exports in volume. This will require a strong effort and the improvement of the external competitiveness of the Portuguese economy. Regarding the latter objective, external exchange policy will be kept under close scrutiny, in order to adjust the exchange rate to developments in the difference between domestic and international rates of inflation. However, the main problems of the Portuguese economy are of a structural nature and can only be solved by improving efficiency and increasing productive investment. Thus, Portugal will have to rely heavily on foreign investment, as a means of helping to fill the gap in domestic savings, as well as by bringing about new technologies and management practices, including international marketing expertise. The conditions offered in Portugal to foreign investors are very attractive. They can count on high rates of return on capital, fiscal incentives, a reasonable large skilled labour force, low unit labour costs in dollars, when compared with other countries offering similar conditions, a non-discriminatory Foreign Investment Code and a Foreign Investment Institute, that has been doing its best in trying to assist actual and potential foreign investors. In 1981 capital inflows of foreign investment have increased by 16.7 per cent, as compared to the previous year, but they reached, still, only a modest level.

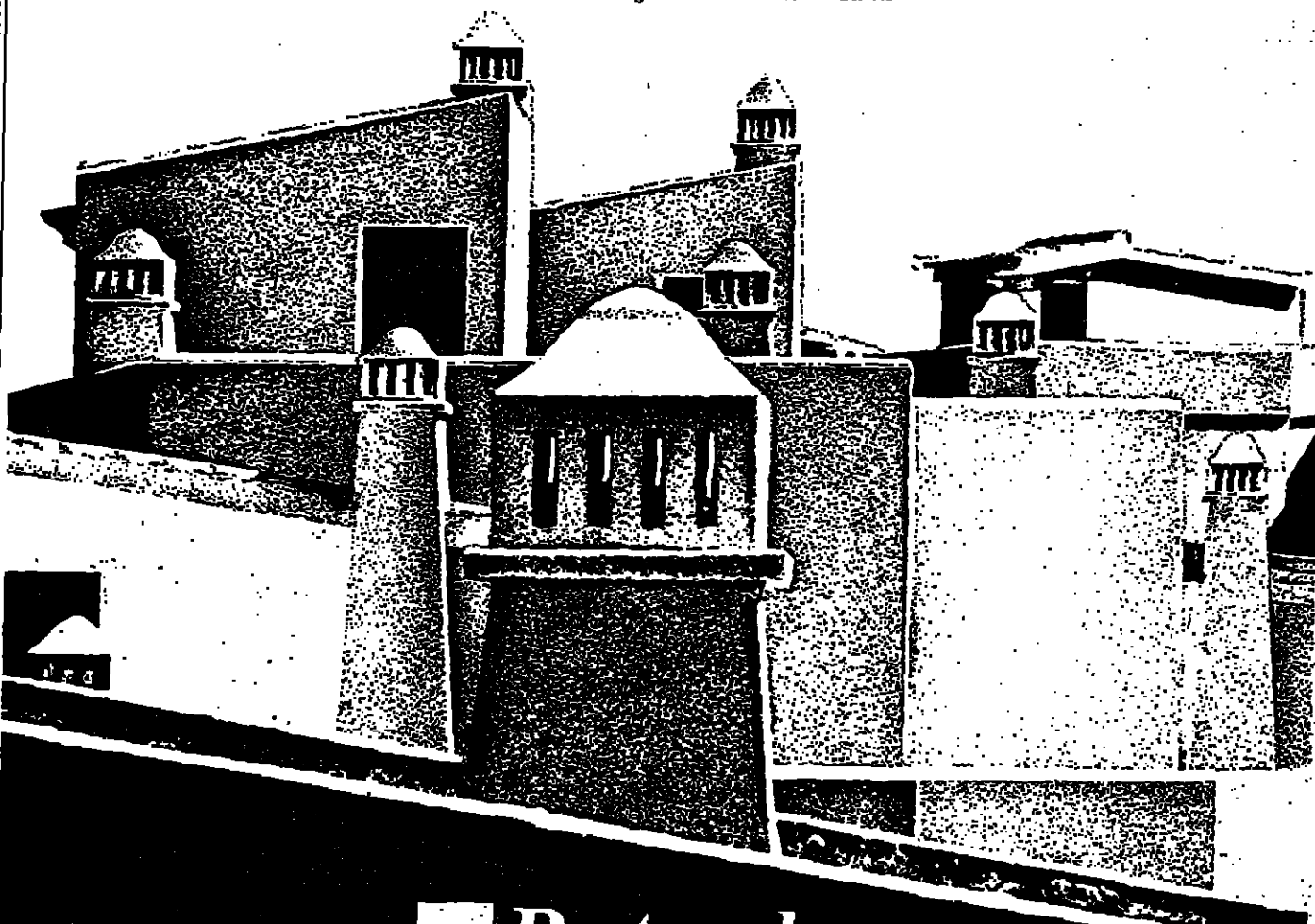
As referred to in the Main Options of the 1982 Plan for the Portuguese economy, actions aiming at reducing the external current account and the public sector imbalances and at developing productive investment shall be inserted in a sustained medium-term strategy conducive to structural changes and modernization of the economy. This will require the adoption of a coordinated set of measures of budgetary, monetary, price and income policies coupled with the implementation of actions directed towards the development of capital markets. The revival of capital markets is intended as a means of increasing savings and of channelling them into productive investment.

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'Difficult' Economy Clouds EEC Entry

(Continued from Page 75)

electoral victory of the ruling conservative alliance. The time they say has come for government to stop leaning on the supreme ally of international factors for the country's difficulties and come to grips with root economic ills in Portugal. Portugal, they say, may be at a crossroads in its post-revolutionary economic direction if this is not done.

These and other problems can only become more acute under the impact of entry into the EEC scheduled for 1984. The implications of this decision are only now becoming fully evident, and opposition to the idea, previously limited only to the Moscow-line Portuguese Communist Party, is spreading.

Advantages and Drawbacks

Official enthusiasm for membership remains high and rooted in emotional and political benefits for the country. Meanwhile, on hardheaded business analysis serious disadvantages to full membership are manifesting themselves, leading the powerful Portuguese Confederation of Industry (CIP) to raise its voice against entry. The confederation has warned it will use all the means at its disposal to block Portuguese membership. Its opposition is based mainly on fears that the negotiations now under way will prejudice "national interests" and that Portugal's inferior bargaining position results from too soft an approach by those responsible for the entry negotiations.

Behind the criticisms lies the realization that little groundwork has been done to prepare commerce and industry for the major competition the better equipped and more advanced EEC producers pose for Portugal. The CIP wants an extended period of transition, as long as 10 years, before all the barriers come down, while successive governments have always pumped for rapid integration in major sectors in the hope

that benefits from regional funds and development aid will outweigh the disadvantages. Tough competition, they believe, will act as a spur to overprotected Portuguese businessmen.

According to Gaston Thorn, president of the EEC Commission, during a visit here last month, the EEC negotiations have now entered their final and most critical stage calling for major efforts on both sides to complete outstanding dossiers as soon as possible if Lisbon is to keep to its scheduled 1984 entry deadline.

Easy ones like the coal and steel, Euratom, regional and transport dossiers have been completed and signed. But stickier subjects like fishing, agriculture, textiles, right of establishment and freedom of labor movement, remain open and in some cases deadlocked as both sides seek the best bargain. Portugal is aware, however, that the dominant weight of the *acquis communautaire* will figure heavily in Brussels' favor in any conflict of interest.

Agricultural Policy

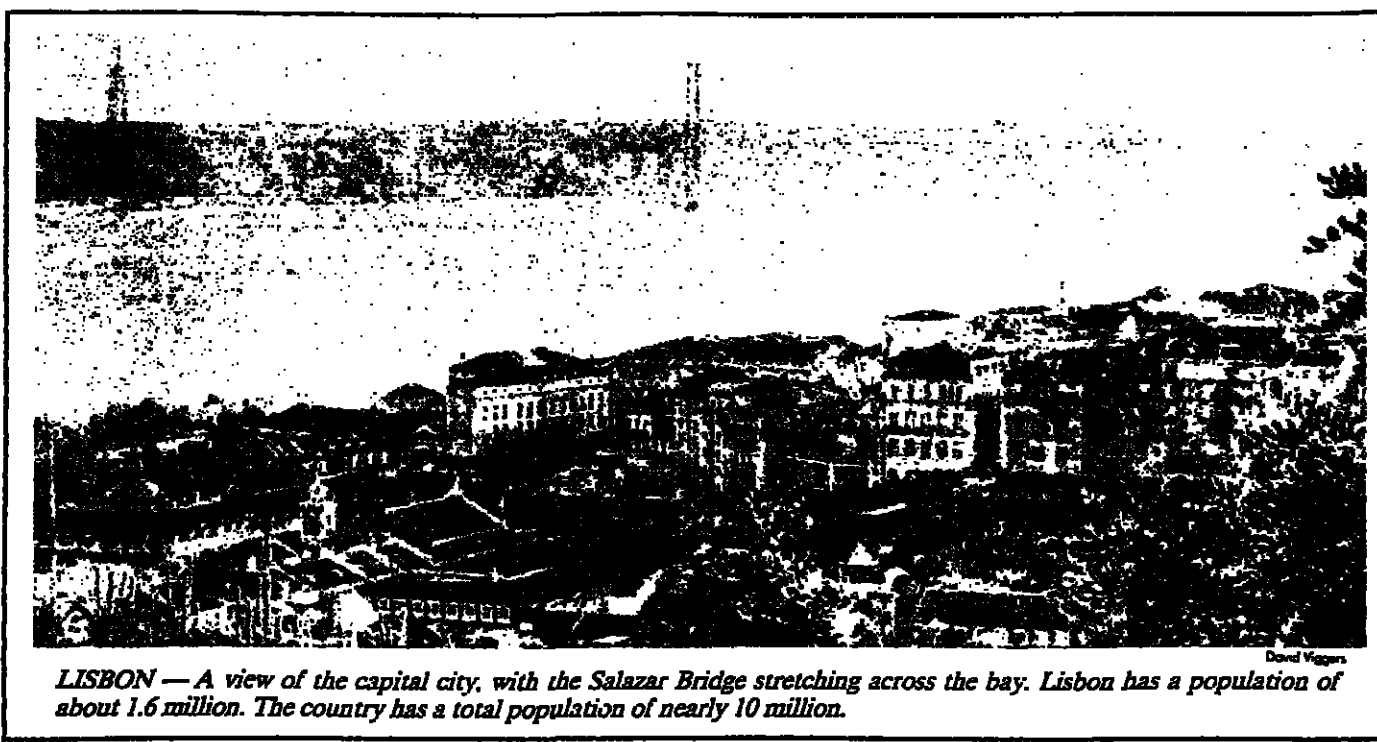
The future of the negotiations is also to a large extent dependent on two other important issues. One is the way the community resolves its major difficulties over the budget and the common agricultural policy and the other is the thorny issue of joint accession with neighboring Spain. Lisbon is adamant that its membership must not be prejudiced by growing difficulties over aspects of Spain's application to join the market. It has reluctantly accepted Brussels' preference for a joint accession date for the two countries only on condition that last minute hitches over Madrid's membership will not hold up Lisbon's entry.

As the negotiations enter their final stage the race is on in Portugal to prepare a backward and underdeveloped economy for abrupt change. The community, in an unprecedented gesture, has extended major finance and other aid to Lisbon to upgrade key areas of the economy and create vital missing infrastructure such as an efficient road network, small harbors and communications.

There is no lack of goodwill in this effort to bring Portugal into Europe, what is missing perhaps is enough sense of national purpose to seize an opportunity for development that will never again come Portugal's way.

—KEN POTTINGER

Ken Pottinger, Shirin Timsar, Nicholas Shakespeare, Mary Castanheira, Jill Jolliffe and Martha de la Cal are free-lance writers based in Portugal.



LISBON — A view of the capital city, with the Salazar Bridge stretching across the bay. Lisbon has a population of about 1.5 million. The country has a total population of nearly 10 million.

Seafaring Tradition Is Still Alive, but Barely

By Shirin Timsar

LISBON — Most sardine gourmets in the world have always known that the tinned Portuguese variety is so much more delicious than the canned offerings of Spain — even before the Spanish oil scandal broke out, but even more since.

What generations of happy picknickers have probably not known is that Portugal has to import sardines from its giant neighbor in order to keep its canning factories from closing down.

The main reason why the Portuguese import sardines from Spain is a very human one: Portuguese fishermen do not like working at night. They simply refuse to sail without first having had their supper whereas the Spanish think nothing of it and are already casting their nets at sea when their Portuguese colleagues are still sitting down at the family table.

The nation that gave the world Vasco da Gama, the man who discovered the sea route to India, and many other great sailors, today no longer has a navy that can be called by that name. The toylike vessels built to cruise in the sluggish waters of Lisbon's former African colonies cannot seriously be considered warships although the men who sail in them should be decorated for endurance. No other modern navy would tolerate being tossed about in Atlantic storms in these floating boxes. Portugal controls — at least on paper — a vast area of the North Atlantic, and its Exclusive Economic Zone stretches all the way to the islands of Madeira, off the Moroccan coast, and the Azores, halfway to North America. But once Spain becomes a full member of the alliance, the protection of Portugal's ports and sea routes in time of war will have to be entrusted to a navy that has ships fit for the task, like the Spanish one.

So ill-equipped is Lisbon's navy to carry out any of the tasks assigned to it that when the Portuguese air force received its most modern combat planes last January, one of the missions it was immediately assigned was to protect the Portuguese fishing fleet operating in the exclusive zone or international waters. Quite what an A-7 Corsair — a Vietnam war veteran — is expected to do when it sees a

Spanish trawler ripping a Portuguese fisherman's nets was not explained.

The Portuguese military often stress that their country is the most Atlantic nation in Europe. The Portuguese national anthem begins with the words "...heroes of the sea..." and the country's ports still handle 95 percent of the country's foreign trade — a vivid illustration of how much Portugal literally turns its back on its Iberian neighbor.

Seafaring Nation

Portugal depends on the sea, and its interests continue to lie beyond the ocean in Africa, but can it really still lay claim to the title of a seafaring nation?

In spite of the sea's monopoly of Portugal's trade, less and less of the country's imports and exports are carried by Portuguese ships, and the merchant fleets nationalized after the 1974 revolution are virtually bargains waiting for the highest bidder.

The sad thing in writing about the Portuguese fishing industry is that it does not really exist, at least not as an industry. It is unfortunate for Portugal that it has as its neighbor the biggest fishing fleet in Western Europe, Spain.

Before the mini-economic boom that followed the downfall of Portugal's long lived dictator, Salazar, in 1969, nearly 70 percent of the

protein consumed by the Portuguese came from eating fish.

Once a week, on the ruined battlements of Castelo de Vide overlooking the great plains of Extremadura and Spain, a picturesque fishmonger in her black shawls and billowing petticoats will still come with her baskets of fish to sell to those who live in deepest Portugal. But the city dwellers, over the years, have been weaned away from fish.

The Portuguese government has just taken a step all its predecessors had avoided by lifting subsidies from wheat and maize for the first time in the country's modern history. It took the decision both because it could no longer afford the subsidies and because it wanted to prepare the Portuguese for the day that they join the Common Market. The effect of the latest measures will be to raise the price of all food in the months ahead.

When Portugal does enter the EEC, the Portuguese might well rue the day that their governments neglected the country's fishing fleets when they discovered that they cannot afford meat but no longer have enough boats to fish with.

Having to watch helplessly while their richer European partners take advantage of the ocean, they might also remember and curse the monarchs who let Portugal's naval power die.

Estoril: Sunny Haven For Jobless Royalty

Special to the IHT

THERE'S a lot of unemployment in my profession," a king of the Belgians once said. Royal redundancies have been especially bad this century. Two world wars claimed the thrones of four emperors, 11 kings and jeopardized a system of government, which had ruled the world for centuries. "I wouldn't be king for a hundred pounds," says Alice to Christopher Robin, and many dismantled monarchs fled with little more. Some had made precautions, but without crown or country where was an exiled king to go?

The British parliamentarian Walter Bagehot wrote of royalty that "its mystery is its life. We must not let daylight in upon magic." It is a reflection of their changed status that most dispossessed kings and claimants choose to bask in the sun. Since World War II, and Salazar's open-door policy to such prestigious expatriates, the seaside resort of Estoril has become their favorite watering-hole and graveyard.

The British started the fashion, which is ironic because, until the Duke of Windsor arrived, England's role had been to ferry royalty away. Following Napoleon's invasion, the aptly named Royal Navy had carried the Lisbon court to Brazil. In 1910, it had transported the last Portuguese king to Twickenham in England, and in 1921 H.M.S. Caradoc sailed the last Emperor of Austria to Madeira.

The tables were turned when in June, 1940, the man who had renounced his throne for the woman he loved, arrived with her in Estoril. Two flying boats were ready to take him to England, but the Duke of Windsor, formerly Edward VIII, would not leave until he was offered a position of influence, and his wife, Wallis Warfield Simpson, received recognition as one of the royal family. While the Germans plotted to abduct him, he played golf and swam, until finally persuaded to become governor of the Bahamas.

Another whose love affair became more important than his kingdom was King Carol of Romania. He escaped to Estoril in 1941 with Madame Lupescu, the red-haired daughter of a village druggist, and settled permanently after the war. Surrounded by a miniature court, he pored over his stamp collection, shot pigeons and died leaving a 10-cent piece in his safe. While lawyers still engage

in locating a large fortune his house is firmly shuttered.

Only King Umberto of Italy fraternized with King Carol. The best loved of these monarchs-in-waiting, he is one of the people and his famous chuckle can be heard in fishermen's bars and diplomatic receptions alike. In 1946, a referendum was held to decide whether Italy should be a republic or monarchy. "I think it's going to be a beautiful day," he said on hearing he had lost. Having ruled for only 34 days, he left his 40 palaces and moved into the Villa Italia on Estoril's seashore. Though not allowed to return, this tall, bald king remains patriotic and dispenses titles to such notables as his doctor and receives Italian tourists, talking to them about everything except politics.

The dispossessed Count of Barcelona, a sports fanatic and big-game hunter, also lives in Estoril. He enjoys the curious position of having been both the son and father of a king of Spain without ever having been a ruler himself. His Villa Giralda is situated appropriately in the Rua Inglaterra, for he served in the Royal Navy, and remains a keen sailor.

Another claimant is the French pretender, the Count of Paris. An acute-eyed intellectual, he settled after the war on a farm near Cintra, milking cows and tending sheep. He brought with him his wife, the author of some best-selling memoirs — who still lives there — and 11 children.

The dispossessed in Estoril are also one large family. Almost all are related. Some argue with history, others accept it, but most suffer when history is made in their homelands without them. Few do not, deep down, share Madame Lupescu's sentiment, that "L'es-sentiel, c'est de vivre pour le retour."

It has been said that monarchy is like virginity: once lost, gone forever. Yet, as the dictators who replaced them become anachronisms, there may no longer be a discrepancy in having a king as the head of a republic. Franco groomed the Count of Barcelona's son to succeed him. De Gaulle asked the Count of Paris to prepare for presidential election. Even Salazar thought "there may come a time when the monarchical solution is the national solution." These children of Charlemagne may have their feet up at the moment. It does not mean they are feet of clay.

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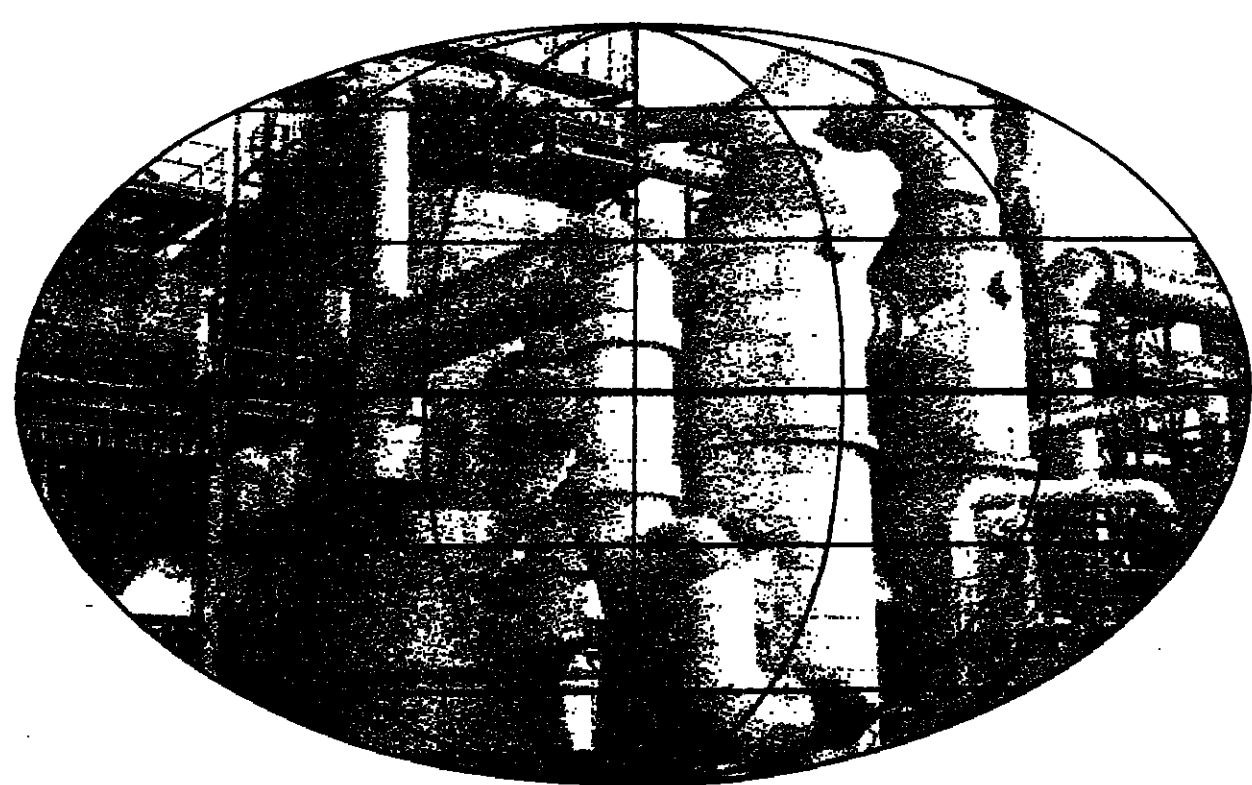
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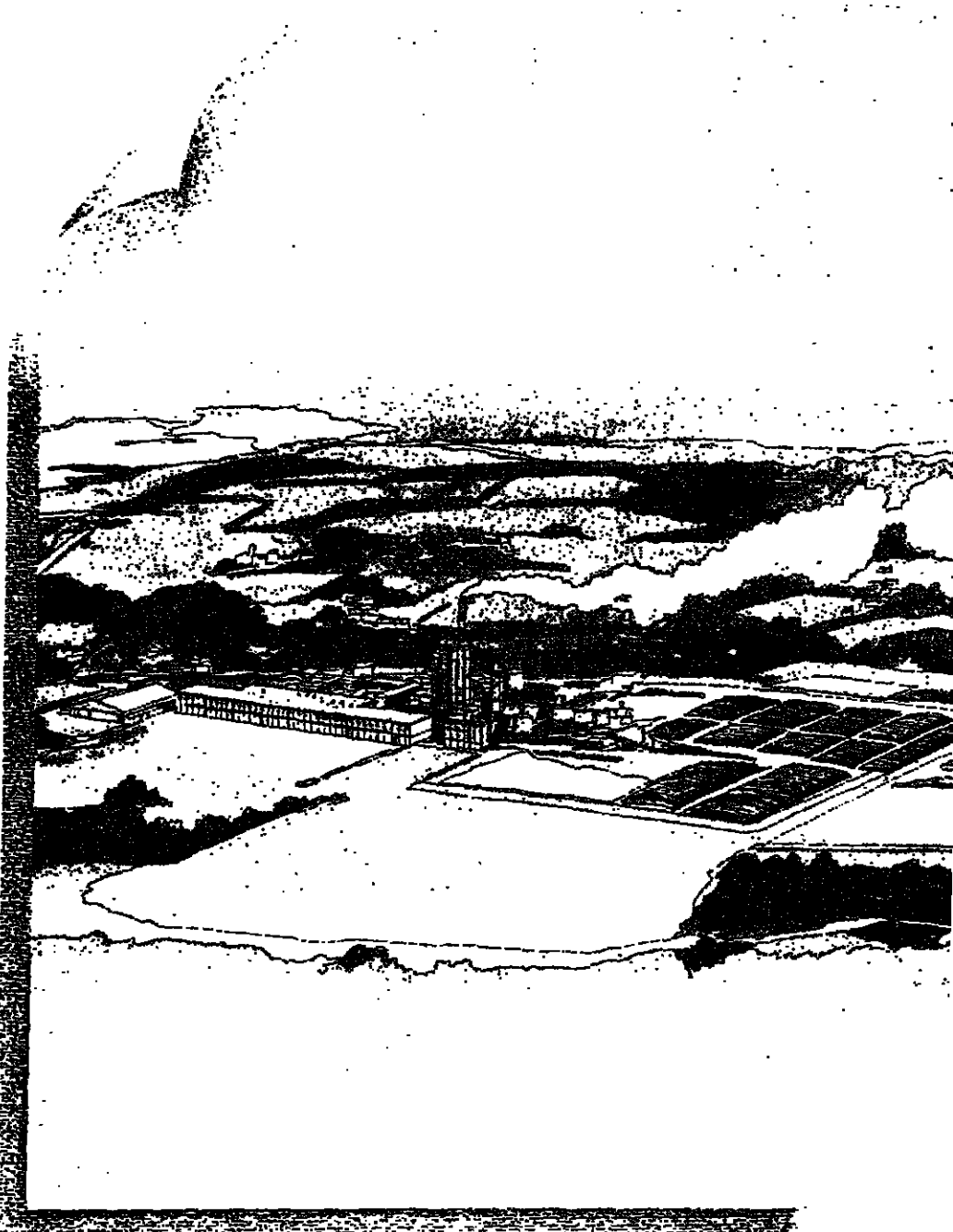


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PORTUGAL JOINS THE EUROPEAN COMMUNITIES A NEW RHYTHM FOR THE AGREEMENTS

PORTUGAL's accession procedure to the European Communities has experienced a sudden rush of late. This is the result of several facts: on PORTUGAL's side the recent visits of the Prime Minister to a few European capitals giving strength to Portuguese "European" choice and the Government intention to assume absolutely this choice; on the Community side the decision taken by the Belgian Chairman and the Council of the European Affairs Ministers to adopt a new method in the analysis of the agreements to be made.

In fact, after a period during which for several reasons the negotiations had come to a stop, the decision to analyze the different questions, by groups of increasing complexity, brought a new rhythm and accelerated the whole procedure.

It has therefore been possible to isolate a few questions about which no special agreements had been made, giving them greatest significance. This was the case for the so-called first package discussed during last February's Ministers Meeting when problems like capital movements, direct and real estate investments in Portugal and within the actual Community members were proposed; it also applies for the transportation and nuclear energy policy; economic and social development in Portugal and the urgent need to reduce the handicaps between Portugal's different areas and between Portugal and the other EEC members; inclusion of the Portuguese escudo in the ECU and Portugal's participating in the shares of loans from the EEC among the economic and financial issues.

Of course this new outline cannot elude the real problems that the future accession to the EEC represents for Portugal, but it clears the situation and assures some order in the controversial questions.

It only means - and we must remember the EEC "experience" was acquired in a very different worldly and European situation, and dealt with countries much more developed than Portugal - that the method adopted now sees the consequences of such changes for Portugal in economic, financial and social fields.

Such consequences apply for specific actions such as financing Portuguese development (transfer of economic resources to Portugal) protecting some Portuguese economic activities (in transitory periods), providing market for Portuguese exports (elimination of certain EEC rules against some national export products), re-organizing the economical system, etc...

One third of the Portuguese exports to the EEC nowadays comes from our textile and clothing industries which require a free circulation in the European community market for otherwise these industries would be in an unacceptable position for its development and consequences in Portuguese economy. On the other hand, due to poor resources in Portugal and inevitable handicap there would not be much sense in Portugal being just a net contributor among the future "12 of Europe" and again our position should be considered with special care. As for social policy and due to the actual employment market situation within the European community members it should not be very difficult for these members to agree to give the Portuguese workers, especially immigrants, free circulation.

The agreements to be made, especially those which are decidedly important for our economic development, demand a great power of understanding and flexibility from the European community. Without it, it is hardly possible to accept that Portuguese interests will be satisfied. This means that the decisions taken in a particular question, despite being the best one cannot be appreciated as a single one but, as a question which is part of a global STRUCTURE; for this reason the agreements cannot be considered definitive if a total balance is not reached.

In the same way, we intend to re-organize our internal economy system in order to obtain a more efficient Public Administration and more up-to-date industrial and new-enterprise services.

The development of these changes within the public services together with the recent acceleration of the negotiations, created a new dynamic atmosphere in the process of Portugal's accession to the EEC. In this instance, if the capacity of understanding on the EEC side continues to assist (in relation with agriculture, fishing and the matter of home resources) as well as sympathy for our political projects, it is already clear that we are attaining the final aims of the negotiations.

We may state with security that in the very near future Portugal will be the eleventh country Member of the European Economic Community.

Lisbon, 6 May 1982.

Secretary of State for
European Affairs
J.L. CRUZ VILAÇA

PORTUGAL

Sintra: Days of 'Glorious Eden' Remembered

By Nicholas
Shakespeare

FIFTEEN miles from Lisbon lie the saw-toothed hills of Sintra, Byron's "glorious Eden."

Some quirk of nature whips the damp Atlantic spray over this westernmost tip of the continent. Anything grows in the tropical mist that makes the landscape, with its cliffs and cataracts, as gothic as the palaces that crest these hills — and the people who live within.

"Sintra is too good a place for the Portuguese," wrote the poet Southey. "It is only good for us Goths — for Germans or English." It has been a mecca for the English ever since some tipsy crusaders from Suffolk helped free Lisbon from the Moors in 1147, and, seasoned more with wine than piety, introduced the phrase *bebido inglês*, English drunkard, into the language.

Portugal's English queen, Philippa of Lancaster, showed more sobriety when her court settled in Sintra during the summer months over two centuries later. She even caused her husband, John I, to stop kissing his maids-in-waiting. From expeditions to Africa and India by her son, Henry the Navigator, came the extravagant motifs that were later to disgrace the walls of Sintra's habitable folies.

The fattest birds of paradise were not the boar-hunting nobility, but the English literati of the 18th and 19th centuries. Their love for Sintra was strengthened by a prejudice against Lisbon where the soulless embassy staff played cards and fashionable British invalids repaired themselves. To Southey,

who hated the Lisbon fleas, although the fleas liked him, the streets were "filthy beyond all English ideas of filth... an English pigsty is cleaner."

Most shared the view held by England's wealthiest son, William Beckford, who announced, "I must go to Sintra or I shall die." It is with Beckford, the scandalous author of "Vathek," who made visits there between 1789-1799, that the place is most associated. Cold-shouldered by those he wanted to impress, the British Embassy and Portuguese royalty, Beckford became a professional hermit in Sintra's grottoes. He was embraced only by the gawky Marquis of Marialva, who could eat two dozen partridges at one sitting.

Rejected by the court, Beckford surrounded himself with a medley of dwarfs, negroes and warbling castrati. After decorating his quinta, a flock of English sheep and a sextet of musicians, he started planting hollyhocks and Indian corn, which grew to amazing heights. In the garden of Sintra's most famous quinta, Monserrate, which he rented in 1795, Beckford found at last a substitute for his social ambitions and became "too much engaged in the royalties of Nature... to think of inferior royalties."

Another writer was the high-nosed Southey, who dreamed initially of founding a Utopia in America but in these hills "I never beheld a view that so effectively checked the wish of wandering." It was a place "that wants only fresh butter and genial society to make it an earthly paradise." Between 1796 and 1801, beneath the Moorish battlements, he wrote the epic



someone's wife, he came to Sintra village, "the most beautiful, perhaps in the world," and made it the first stage of Childe Harold's pilgrimage.

Byron stayed at a wayside inn later run by a Welsh lady, Mrs. Lawrence. It was here, in 1865, that a brace of the more talented embassy staff came to live: the dandy and writer Robert Lytton, who became viceroy of India, and the bull-fighting poet Wilfred Blunt.

Lytton agreed with Sintra "amazingly." He scribbled, built fire balloons and rode the perennial donkey with Don Fernando, the ex-king consort, whose legs were so long they touched the ground. Don Fernando, who in 1840 had commissioned that apothecary of kitsch, Pena Palace, was to marry Elsie Hensler, a Boston tailor's daughter. Though Lytton fell out with a servant over his "vulgar manners," he got on famously with Elsie and her four white dogs.

Sintra's visitors, like its vegetation, may have been larger than life, but apart from inspiring a few stanzas and Beckford's vivacious letters are works more of curiosity than quality.

Sintra's influence on Southey was disastrous. The only part of his life's work to be published was indigestible. As for Lytton, he left his manuscript of "Cypriote" in Mrs. Lawrence's lavatory, where a maid, caught in an emergency situation, used it for hygienic purposes.

Perhaps the most eternal lines were inscribed on the lavatory's wall by a respectable English lady. "I came to this place twice, for it is very nice."

High Illiteracy Rate Is Factor in EEC Talks

NO ONE knows exactly how many illiterates there are in Portugal, but the rate is estimated to be the highest in Europe — around 30 percent, a matter of great concern to authorities in the European Economic Community (EEC), which Portugal is preparing to enter, and also to the Portuguese government.

"Portugal's high illiteracy rate is an important factor in negotiations over the free movement of workers within the community," said an EEC representative in Lisbon.

The latest official figures are based on the 1970 census. At that time, coastal and interior regions in the south had the highest number of persons who could not read or write. The Algarve, on the south coast, had an illiteracy rate of 37 percent and the interior of the Alentejo had 31 percent. In the city of Beja, in the Alentejo, now a center for the agrarian reform, 48 percent of the adult inhabitants were illiterate. The mountainous regions of the north — Trás-os-Montes and Serra da Estrela — had an overall average of 36 percent illiteracy. The big cities showed up somewhat better. In Lisbon, 18 percent of the population was illiterate, and in Oporto the percentage was 21 percent.

After 12 years, the number of illiterates remains virtually the same, but the distribution has changed. Many have emigrated to the cities to find jobs, living in the ever-growing squalor of unsanitary and unsightly shanty towns that surround each city. Thousands of others have emigrated to northern Europe, particularly Germany and France, joining the nearly two million Portuguese emigrants already there. In countries like Portugal, the Portuguese who are illiterate and untrained are forced to take the jobs no one else wants: cleaning streets, working as maids, washing dishes or doing unskilled jobs in civil construction with little hope of advancement.

Surge of Interest

There has been a surge of interest in education since Portugal's revolution in 1974. The number of students enrolled in schools rose from 200,000 to 1,200,000 in eight years, creating a shortage of schools and teachers. The universities had to close their doors against the invasion of the new applicants and become super-selective. New universities have been opened in the provinces.

This stampede to learn barely affected the country's illiterates, the majority of whom are over thirty and are already working and have families. They are submerged in a sub-culture where there is no tradition of learning. A few years ago, families in rural areas and villages were so poor that they could



Publications abound, but a high percentage of the population can only look at the pictures.

not spare one of their children — needed as workers — to go to school.

Margarida, a 46-year-old maid who works for a foreign family in Lisbon, is a typical example of Portugal's illiterates. As a child she attended school for one year and a half and was not encouraged further by her family or forced to do so by the authorities; consequently, she cannot even sign her name. Margarida began work at a maid when she was 11 years old, earning \$1 a month. "I was needed at

home," she said. "They needed the money I earned, and my mother needed me to run errands and to take my father and brother their lunch, while they herded sheep." By the time Margarida married at eighteen, she was earning \$3 per month. She now earns \$60 a month and has no possibility of obtaining any other kind of work. Her husband completed the obligatory fourth grade and works as an assistant to a bricklayer. Her 26-year-old daughter also finished fourth grade.

The situation is changing somewhat now. Workers wages have risen over 300 percent as labor unions were legalized following the revolution. Rural workers are for the first time, covered by social security. Farmers and small producers are getting more for their products. Rural electrification has brought the outside world into remote areas through radio and television, inspiring young people to seek new ideas and to learn. Schools, often funded by the EEC, are being built in remote areas, although it is still difficult to find teachers willing to leave the cities to teach in the hinterland. These changes account for the large influx of children in the schools, but adult illiterates are for the most part still uninterested and often reluctant to learn.

Actually, Portugal is geared to an illiterate society. Each person's obligatory identity card contains his thumb print, so an illiterate can easily complete any legal transaction simply by using his thumb print. For example, when cashing a check in a bank, the teller pulls out the ever-present inked pad for finger prints and the customer stamps his print. The teller verifies it with the ID card and concludes the transaction. The same procedure is carried out in government ministries and most other places.

Many government offices have a department which offers assistance in filling out forms for those who cannot read, in the ministry, which

(Continued on Page 115)

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PORTUGAL

Looking to Post-Colonial Africa as a Partner

By Martha de la Cal

PORTUGAL wants back into Africa not as a colonial power but as a partner in joint ventures with the Portuguese speaking countries of Angola, Mozambique, Guinea-Bissau, Cape Verde and San Tomé e Príncipe, to carry out projects in civil construction, chemicals, oil and many other sectors.

They are also pushing hard for what they call "triangular cooperation," a plan whereby Portugal, with its knowledge and experience in Africa can plan projects with more industrialized countries with financial capabilities to offer the African countries.

Ambassador Pinto de Franco, president of the Institute for European Cooperation, said: "We believe Portugal offers many possibilities that make triangular cooperation interesting. We have projects that were already prepared before African independence and a generation of technicians who have worked in Africa. We have an intermediary technology that fits well there. We produce equipment that they could use. We have a common language, and we understand one another. We have all of those advantages, but we have financial limitations. So we must

look for other countries to work out a program."

Portugal is trying hard to sell this idea to the Africans, the countries of the European Economic Community and to other countries such as Sweden and Kuwait. President Ramalho Eanes has visited Angola and Mozambique accompanied by members of the government and Portuguese businessmen to promote better understanding and cooperation. He was well received and is planning a similar trip to Guinea-Bissau.

Secretary of State for Foreign Affairs Leonardo Matias has visited the Brussels headquarters of the EEC where he talked with Edgar Pisani, the commissioner in charge of development, to present a blueprint for the plans for triangular cooperation. He has approached France, Italy and Sweden directly. He has also been in the Middle East. "We have signed cooperation agreements with all five ex-territories. Works have been going on in civil construction for several years. We have requests from all of the Portuguese speaking countries, but we have an economic crisis of our own along with political tensions so we cannot cope alone. That is why we are seeking other countries to join us in projects. I have not been discouraged by their reaction," he said.

Some concrete results of President Eanes' recent trip to Angola included a promise from Angola that Portugal will participate in a \$200 million project to equip the power station at the Catumbande dam and will sell \$23 million worth of railway cars to the Benguela railroad in Angola. Portugal may start purchasing Angolan crude oil in September and a Portuguese company will get a hotel concession in Luanda. A joint Luso-Angolan commission is meeting in Luanda to discuss areas of agriculture, fishing, mining, transport, oil, housing and public work. The Portuguese delegation is headed by Minister of Finance Joao Salgueiro.

In Mozambique, the Portuguese company Sonafel will participate in the renovation of a 650 kilometer extension of the railway that links the port of Nacal with the frontier of Malawi — at a cost of \$200 million. Portugal is participating with French and Canadian companies. The bank of Mozambique and Portugal's Banco Nacional Ultramarino have projects for technical and financial cooperation. The airlines of Portugal and Mozambique have just negotiated a new agreement to pool their routes between Maputo and Lisbon and put on new runs.

Portuguese firms are also constructing and equipping a huge hotel in Maputo. Mozambique did not nationalize Portuguese companies after independence. They used Czechs and Bulgarians to run many of them, but reportedly production is down to 20 or 30 percent of what it was. According to one Portuguese businessman who had two asbestos cement plants in Mozambique, the government there is inviting Portuguese managers back to run their companies.

"This could be the solution to Portugal's problems," he said. "We should look to Africa again to get rid of unemployment and we would like to run the plants because they are still ours," he added.

Specialists from the EEC are definitely interested in the triangular cooperation plan. The only stumbling block is that Angola and Mozambique, unlike Guinea-Bissau and Cape Verde, do not subscribe to the home convention — countries of southern Africa that receive aid to reduce their dependence on South Africa. In spite of this, EEC representatives will meet with Portuguese technicians in Lisbon to discuss five projects under study for the five countries.

The projects include: a regional center for renewable energy in Cape Verde; improvement of the navigability of the Geba river in Guinea-Bissau; furnishing of water to the four provinces of San Tomé e Príncipe; installation of a station for land telecommunications in Luanda and Lobito; setting up a microwave grid to cover the territories of Mozambique, Malawi, Zambia, Tanzania and Zimbabwe. The microwave grid would cost \$64 million. Approval of the final projects will depend entirely on the African countries involved.

Portugal has joined FAD (African Development Fund) in order for Portuguese firms to participate in international calls for tenders on projects financed by the fund. The funding comes through the African Development Bank. Members of FAD include European industrialized nations, some nations in Asia, the United States and Brazil.

The Portuguese are optimistic about their chances in Africa. There is a feeling that after seven years of independence during which there was a natural backlash of anti-colonialism against Portugal and a turning toward the East bloc countries, the Portuguese speaking countries of Africa are ready to look again to the West. "The countries are disillusioned with the East bloc because all they got was talk," said one businessman.

Pope's Gratitude Puts Focus on Fatima

By Ken Pottinger

WHEN Pope John Paul II recovered from the assassin's bullet last year, he said he had been saved through the intervention of Our Lady of Fatima and vowed to make a pilgrimage of thanks to the Portuguese shrine.

His visit here on May 13 focused attention once again on the 65-year-old shrine, a principal place of Roman Catholic devotion in the world.

The sacred shrine received even more attention when the pontiff escaped another attempt on his life by a Spanish nationalist on May 13, 1981, under heavy security, on the spot in Fatima where the attempt was made.

Ninety miles north of Lisbon, Fatima is the center of attraction annually to millions of pilgrims who between May and October come to celebrate the apparitions of the Virgin Mary said to have occurred in the area in 1917.

first appeared to three shepherd children — Lucia dos Santos and her cousins, Jacinta and Francisco Marto.

The children, from the village of Aljustrel, claimed that on May 13, 1917, they had a vision of the Virgin Mary and that she subsequently returned to them on the 13th day of every month until October that year. Tens of thousands of people headed for the area to see the apparitions, and as news of the event spread it rapidly turned into a major religious happening.

Lucia, age 75, is the only one of the three children still alive, and she claims that it was through her that the Virgin Mary directed three messages to the world. The first was a horrifying picture of Hell and eternal damnation; the second predicted the end of World War I and the reconversion of Russia, and the third is a closely guarded Vatican secret, reportedly too shocking to be revealed.

The event, at first skeptically accepted by the church, later spawned a major religious group — the Blue Army, an American organization of 20 million members

based at Fatima strongly opposed to Communism and which believes the doctrine will be defeated when the Blue Army has as many members as the "Red Army." Communists around the world.

While Jacinta and Francisco both died within three years of seeing the apparitions and before reaching their teens, Lucia is cloistered in a Carmelite monastery in the central Portuguese town of Coimbra. Their family homes are now a tourist attraction, as is Lucia's 90-year-old sister Maria, who willingly recounts the events of 1917 to all who will listen.

For the skeptics, Fatima was a fortuitous fabrication to rally religion against the Bolshevik Revolution then in full swing in Russia. It served as a focal point of anti-Communism throughout the Portuguese dictatorship of Antonio Salazar.

For believers, Fatima is another manifestation of faith and an important center of worship. For those who live in the village, it combines a source of major income from tourists, souvenirs and lodgings with a sense of religious awe and respect.

High Illiteracy Rate Is Factor in EEC Talks

(Continued from Page 105)

issues ID cards and handles papers related to criminal processes, an illiterate can pay ten escudos (fifteen U.S. cents) to have his forms filled in by a clerk provided for that purpose.

In the cavernous identity card bureau, there is always a long line of people waiting with their forms. A department official said that every day more than 100 people pay for the service, and in the rush time before schools open, more than 500 utilize the service. He admits that many persons pay for the service because they don't want to bother to fill out the forms themselves. "But, more than half of them are illiterate," he said. However, even though the filling out of forms is made easy for the illiterate, he must still have recourse to other persons to read for him what he is signing.

There is a thriving business for persons who take advantage of illiterates by filling out the innumerable papers and forms required by Portuguese government bureaucracy — one of the most paper ridden in Europe. Outside the identity card bureau in downtown Lisbon, a flock of would-be "scribes" lurk on the sidewalks and in the bars across the street waiting to pounce upon the unwary, disoriented illiterate. The police are instructed to remove these scribes, but they usually turn a blind eye.

The scribes charge anywhere from \$1 to \$10 dollars for filling out papers. Reports estimate that a scribe can earn around 30,000 escudos (\$600 dollars) per month — a relatively high wage for Portugal. One scribe, who claims to have been an employee in the Finance Ministry for 30 years and whose "office" is a corner of the bar in the *cervejaria* (tavern) across from the identity card bureau, refuses to reveal his earnings and claims, "I am performing a public service."

Other Problems

A person who cannot read or write is affected in many other ways. Without access to newspapers, magazines or books, he is dependent on other people for his ideas; the village priest — the majority of whom in Portugal are illiterate — is a major obstacle to change; state controlled television — whatever political party in power uses it to manipulate the minds of the voters; or on political party representatives bent on formulating new ways of thinking.

women, are tied to superstitious beliefs and dependant on *curandeiros* (healers), who dispense remedies and spells for ills.

An unfortunate aspect of the high illiteracy rate is the lack of communication possible between the Portuguese emigrants in other countries and their families whom they have left behind. Those who cannot write — the majority — must communicate through another person. Emigrants who are illiterate, also find it difficult to adjust to the unfamiliar country and to discover the rights and benefits to which they are entitled.

Simple Pleasures

Illiteracy even affects their simple pleasures. In Portugal, all television programs and movies are shown in their original languages — usually English or French with written subtitles in Portuguese, which 30 percent of the adult population cannot read. Although almost all Portuguese workers own TV sets, even those in the shanty towns, not all of them can come home from work and settle down in front of the TV to be entertained. Those who can't read are baffled by "Dallas" and moved by "Roots."

The high rate of illiteracy has, however, made television exceedingly important. Political parties fight to control it and to get their messages to the voters. Advertisers consider it the most important advertising medium. Newspapers have relatively small circulations, 80,000 is considered a large press run. Books have even smaller printings; 5,000 copies is average.

The illiterates also have certain impact on their environment in Portugal. Voting ballots have had to be devised using bold printed political symbols in addition to names thus enabling the illiterates

to vote by putting marks under their party's symbols. This led to squabbles among the parties and charges of unfair election results when one minor party incorporated the hammer and sickle of the Communists in its symbol and another incorporated the clenched fist of the Socialists. Both major parties claimed they had lost votes to the minor parties by improper identification.

The Portuguese government, as well as the EEC, is concerned by the high rate of illiteracy. The Ministry of Education is making an effort to eradicate it. A 31 member National Council for Literacy and Basic Education for Adults has been formed. The council acts as consultant to the government and carries out campaigns to convince people to attend the adult education classes that are being offered.

Promoting Literacy

In 1981, there were 499 associations set up to promote literacy. They received subsidies totaling \$300,000 from the Ministry of Education. In 1982, the council will have about \$2.5 million to spend. The Council of Europe is helping with funding, and it is also offering technical help for a pilot project in the Mougadouro, a remote region in the mountainous north. By July, 1981, 1,000 adult education courses had been offered, attended by a projected 30,000 people.

The council is headed by Amélia Azevedo, a Social Democrat representative in parliament. She recognizes that it is a difficult task to persuade people to attend the courses because it means instilling a completely new mentality. "We are trying to convince them through radio and television and through the unions, Church groups and other local organizations. We

want to show that education is necessary," said Dr. Azevedo.

Illiteracy is, however, only one of the problems to be solved in Portugal. The others are acute and will be costly. Unemployment is estimated at 13 percent, particularly among women and young people seeking their first jobs. People have left the farms and drifted into the industrial cities of Lisbon and Oporto. The industrial sector is sometimes forced to turn to crime and prostitution. The cities are overcrowded and there is a lack of housing due to a complete stagnation of state and private construction. This has led to further growth of shanty towns and a breakdown in family life.

Welfare and State Aid

Workers' wages have risen more than 300 percent since the revolution, but they have not kept up with prices. Food costs 10 times what it cost before. The social welfare system is a shambles with many collecting only small pensions that force them to live below poverty level. State hospitals are old and ill-equipped. Welfare patients often wait for weeks or months for a needed X-ray or a doctor's appointment. Other hospitals in the provinces stand empty because doctors won't leave the cities to staff them. Public schools are also scarce and overcrowded. Teachers are often absent, and there is a breakdown in discipline. Many schools are now plagued by petty crime and drugs.

Dr. Azevedo admits that illiteracy cannot be entirely wiped out until these other problems are solved. "We must better conditions so that people have fewer burdens and can turn their attention to education and not use their children as workers."

— MARTHA DE LA CAL

PORTUGUESE INDUSTRIAL POLICY AND THE CHALLENGE OF THE EIGHTIES

The options as regards industry imposed on Portugal by more open participation in world economy and European integration have been the subject of the eighties been the center of public discussion and Government action. The crux of the matter is really not only the adoption of an industrial model fitting into the new patterns of industrial development envisaged by the modern trends of international economy, the constituent elements of which are already in preparation, but also the choice of the project for society and the economic model that offers greater potentialities for the country's economic and social development. The Portuguese industrial framework of the eighties is unequivocally in favour of the efficacy of the market economy, without neglecting the importance attributed to the social component of development.

At the moment Portugal enjoys stable political conditions, and the Government has a reasonably wide time horizon for its action. This naturally constitutes a favourable circumstance for implementing a well structured industrial policy that is not at the start affected by two marked conjunctural conditions. In the post-war decades, the industrial sector was the sector that showed the most dynamic growth in Portugal's economy. At that time basic infrastructures were laid, some projects of substitution of imports were carried out, there appeared firms with advanced economic, technological and managerial levels, and some reasonable positions were attained in foreign markets — especially in labour-intensive industries and industries of a low or intermediate technological standard. The international framework of steady growth helped structural adjustments to achieve a certain modernization of the Portuguese industrial structure.

In quantitative terms growth in the fifties and sixties and start of the seventies was very striking: the industrial product increased at an average of 10% per annum, and export performance was also excellent. Nowadays industry accounts for 40% of the Gross Domestic Product, employs about 35% of the active population and contributes to about 3/4 of Portuguese exports. The rate of progress of certain sectors of industry did not, however, effect the pull on other sectors of activity (notably on agriculture and even on other sectors of industry itself) that had been hoped for by members of the governments of the time. This meant that a dualist, unbalanced structure was created, one that was little suited to permanent adaptation to the continual structural changes in demand, technological modifications, changing costs and relative prices, modifications in the comparative advantages between countries. Furthermore, industrial growth did not lead to adequate use of the existing natural resources, the network of intersectoral relations remains little developed and the degree of technological autonomy is still, generally speaking, very unsatisfactory.

In various sectors of Portuguese industry there is also an excessive predominance of small and medium-sized firms (although on an overall basis the percentage of such firms is not higher than in other European countries), productivity levels are low and the quality of industrial products is insufficient and unsuited to certain demands of the most progressive markets. There is too much weight in the exports with low return-elasticity and, as regards imports, in raw materials, industrial products and equipment goods. Too much dependence on oil as a source of energy is another negative characteristic of Portugal's present economic structure. The balance of the present situation of the industrial sector, with clear recognition of its weak and strong points, constitutes for the Portuguese Government only the base from which to face the challenges of the eighties. It is, in fact, stressed in the important speech by Mr. Bayão Horita, Minister of Industry, Energy and Exports, on industrial policy, that the country is in a better position as regards the future model of industrial development (more compatible with small-scale production and in which the preponderance of highly capital-intensive activities will be considerably reduced), than was the case with the classical model of industrialization. The quality of Portuguese manpower (in particular its high adaptability) and the availability of natural resources capable of being developed in a far more interesting way with the discovery of new technologies are important trumps for Portugal to play in the future.

Accordingly, as has been pointed out in this paper, Mr. Bayão Horita traced a coherent and daring industrial strategy that tries to guide the sector's development according to the main bases of transformation of the country's industrial and international economy.

As was mentioned at the time, the guide lines of that strategy are as follows: — Exploitation of the natural resources so as to optimize the national value added. This means better development of the metal mineral resources (iron, pyrites, wolfram, of the non-metallic minerals (notably ceramic) and other raw materials, in which a search for new and more advantageous uses now offers greater potentialities. — A defensive strategy in the traditional export industries, where international demand is not very strong and there is aggressive offer on the part of new producers, with a view to qualitative evolution that can defend

the positions reached in the most developed markets: textiles, clothing, footwear and others. — Intensive development, through an aggressive strategy, of industries in which the country has its own technology and in which the comparative advantages are stable or capable of being extended: light mechanical and electrical equipment; transport material; power equipment; equipment for handling and lifting goods; engines for vehicles; professional and telecommunications engineering and planning activities. — Creation of a nucleus of advanced technologies, with a view to consolidating technological autonomy in the future, according to the country's human and material potentialities. In this domain the industry-research structure relationship is essential, in order to potentiate possible fields of action, in particular light resistant materials, compound materials, renewable energy technologies, etc.

These four major guide lines of industrial strategy must be pursued in such a way as to ensure a systematic improvement in the overall competitiveness of industry and its export capacity, so as to generate a positive exchange balance that will help to remove the present financial hindrance to economic growth associated with the weight of the foreign deficit.

It is on the forcefulness of private enterprise that will depend the success of implementing this strategy. The Government is fully aware of this, and is taking industrial policy steps intended to create a favourable environment for the development of private enterprise and to back up its progress under competitive conditions. The Government is particularly concerned with creating a favourable social and economic atmosphere, a substantial improvement in infra-structures, the granting of adequate forms of technological support to industry, occupational training, and the adoption of an effective system of tax and financial incentives aiming at favouring those projects which are of major interest to the country's economy.

The role that is recognized private enterprise should play within the context of Portugal's new industrial policy is well illustrated in a passage of the Minister of Industry's speech, referring to industrial policy, in which he stresses as the absolute need for "a strong private entrepreneurial sector, motivated and mobilized for the main national aims and made up of competent, go-ahead entrepreneurs," while at the same time he points out that the State as entrepreneur is almost the antithesis of the qualities of initiative, forcefulness and quick decision-taking that are necessary as the basis for an industrial strategy as delineated.

In more operational terms, the following may be indicated as political measures of some importance in the field of operation of the Ministry of Industry, Energy and Exports, with incidence on industrial activity: — Reorganization of the Ministry, with reinforcement of its functions of orientation, information and support, particularly at a regional level, and reduction of the administrative-control function which corresponds to conceptions of industrial policy that are now outdated.

— Preparation of basic laws for framing industrial activity, namely the Basic Industrial Law and the Mines Law, setting out the guide lines of policy in the respective sectors for the coming years. — Creation of new systems of support for exports, following the driving ideas of Government policy: "1982 - Export Year". — Policies involving a reorganization of certain sectors of particular importance in Portuguese industry, notably the textile and electro-mechanical industries. — Implementation of the Plan for Assistance to Portuguese Small and Medium Industries, which counts on the financial participation of the EEC, as part of the common action envisaged for the pre-membership period. This Plan is intended to provide financial backing for the modernization and development of small and medium firms, improvement in management standards, improvement in the standard of occupational training, reinforcement of technological assistance, etc. — Preparation of a Plan for National Technological Development, which will be able to count on support from the Center for Policy Alternatives of the Massachusetts Institute of Technology.

As regards energy, the main preoccupation of the policy is to make energy supply more secure and to reduce dependence on foreign sources. An energy plan is in an advanced stage; it will summarize these problems and set the strategy to be adopted and the main action to be taken, having in mind a time horizon of 30 years. In this area a crucial rôle is played by the investments of the State sector in the energy infrastructure, though an important part must also be taken by private enterprise and/or by municipal electrical power production from small schemes or by using waste from the main activity. Reduction of dependence calls for better use of known Portuguese energy resources, power saving in all sectors of economic and social activity and, of course, the investigation of new resources. As regards this last aspect, and particularly as regards oil prospecting, a system of incentives was recently instituted that offers benefits on the same lines as those provided in other European countries.

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Special to the IHT
A FEW MILES outside Lisbon, black-clad women, carrying baskets of dirty clothing on their heads, congregate at the river's edge to do the family's washing.

For these country women, whose way of life has hardly changed in the past 200 years, the enormous legal and constitutional advances made toward sexual equality since the 1974 revolution mean very little.

Portugal is the poorest country in Western Europe and most women have neither the time nor the education to consider their rights. It is also a Latin country where, much as in Spain and South America, the birth of a son is a much happier event than the birth of a daughter, and machismo still rules supreme.

Before the revolution women were legally second-class citizens. A husband was considered head of the family, deciding where the family should live, how the children should be educated and whether his wife should work or not. A woman needed her husband's permission to obtain a passport or take her children abroad, and enjoyed little privacy within the marriage to the extent that her husband was entitled to open her mail.

Today, women's legal, political

and familial equality is written into the constitution. They have benefited from labor laws guaranteeing equality of opportunity and pay at work, maternity laws entitling new mothers to three months leave from work, and even an advertising law that, though little in evidence on TV and in the press, prohibits the exploitation of female sexuality. The new divorce laws no longer penalize women with respect to property or child custody, and fathers of illegitimate children must now contribute toward their maintenance.

Government Commission

"From a legal point of view everything has been done that can be done," said Ana Vicente from the government-run Commission on the Status of Women.

The commission, set up after the revolution, was instrumental in getting the laws passed and now works to publicize them. Most of its activities are educational: continuing courses, distributing leaflets on health and contraception, drawing up reports on sexual discrimination, giving legal advice and helping those seeking divorce or shelter from violent husbands and boyfriends.

"It is factors outside the law — economic, sociological and cultural — that still create inequality here," Mrs. Vicente said.

It is hard to shake the traditional belief that educating girls is a waste of time, and in a country where lack of money means overcrowded schools, large families in remote areas often keep their daughters at home where they will be of more use working the land or cleaning the house. In 1979, 26 percent of the female population of Portugal was illiterate.

Shortage of money also means health care suffers. Outside the big cities, hospitals are few and poorly equipped and doctors do not want

to work in the backward rural areas of inland Portugal where they are needed most.

Consequently Portugal has the highest infant mortality rate in Europe. Latest figures from the commission show that a quarter of the pregnancies carried to term will result in the death of the child and one in every 350 mothers will die in childbirth.

There is no institutionalized prenatal care and many children are born at home without qualified medical assistance and in some areas born in houses without electricity or running water. Obstetricians are grandmothers, aunts and sisters who have seen it all before.

Contraception and family planning advice are free in Portugal, but women's groups say only a small proportion of women of child-bearing age use them. They blame this on poor publicity, shortage of funds and the influence of the Roman Catholic church. In Madeira, for example, a staunchly Catholic health authority has ordered family-planning clinics to recommend only the rhythm method of contraception so for some the pill is not available at all.

The church has also made its presence felt in current controversy over Communist Party proposals to legalize abortion. Warning women not to become "wrecking cemeteries" and turn Portugal's hospitals into "legalized slaughterhouses," the church is spearheading the campaign against the Communist bill due to be debated in parliament in the next few weeks.

Under the proposals, abortion would be available in public hospitals to women whose health might be endangered by childbirth, those who could not offer an infant adequate social or economic support and those likely to give birth to a mentally or physically handicapped child.

Communist deputy Zita Seabra says her party proposed the bill to cut down on an estimated 300,000 clandestine abortions carried out every year among a female population of about five million, often in appalling conditions and for handsome profit.

"Everyone knows where it goes on — police, judges, tribunals, even those who wish it to be kept illegal," she said. Women's groups say about 2,000 women die every year because of badly performed abortions.

Although a recent survey showed 71 percent of the Portuguese population believed abortion should be available in certain circumstances, the bill is unlikely to get through parliament for political reasons. The ruling Democratic Alliance coalition will not offer support to an opposition Communist Party bill and cannot afford to alienate strongly religious rural communities where much of their support lies, especially with local elections looming.

Domestic Violence

Another health hazard Portuguese women face is violence. Although a certain amount of domestic violence has always existed and been accepted as part of the culture, plus the added stress of modern living, overcrowded cities and the housing shortage, the incidence of wife-beating has increased in recent years.

"Some of the cases who come to us for help as a last resort are frightful, ghastly and suicidal," said Mrs. Vicente, adding they include the wives of doctors, lawyers and even a criminal.

There are no shelters either public or private where women can escape a violent household. Many women put up with constant beatings simply because they are economically dependent on their husbands and would be homeless if they left.

Economic, Political Tension Keep Pressure on Coalition

(Continued from Page 75)

to resolve this particular problem remains unclear, but no doubt it will come through some kind of compromise.

Political and economic problems are not the only ones challenging this small Iberian nation of 10 million. Planned membership in the European Economic Community by 1984 will bring with it as yet unrecognized difficulties. Joining the EEC has always been seen here as a politically vital move to anchor Portuguese democracy to the mainstream of European democracies.

Monetary and economic implications have always been treated as secondary hurdles.

Now, however, businessmen and others are beginning to realize what dramatically higher prices, an end to subsidy and tariff barriers, altered trading patterns and stiffer competition will mean, and voices are being raised in protest. A major group of industrialists recently called for longer periods of transition to allow Portugal time to absorb the changes that are coming.

However, the die must now

be prestamped cast and there can be no serious consideration of backing out, despite the preference of some businessmen for the easier and more lucrative expansion of trade links to the former African colonies.

Whether, as enormous internal problems continue to confront the community, Brussels would want a chance to reconsider entry applications from Portugal and neighboring Spain is another matter, which few here would really like to consider.

Despite the difficulties, the trials and tribulations, eight years of democratic experience have left generally positive marks on the Portuguese, who by now are becoming accustomed to the institutionalized instability that seems to characterize the national scene.

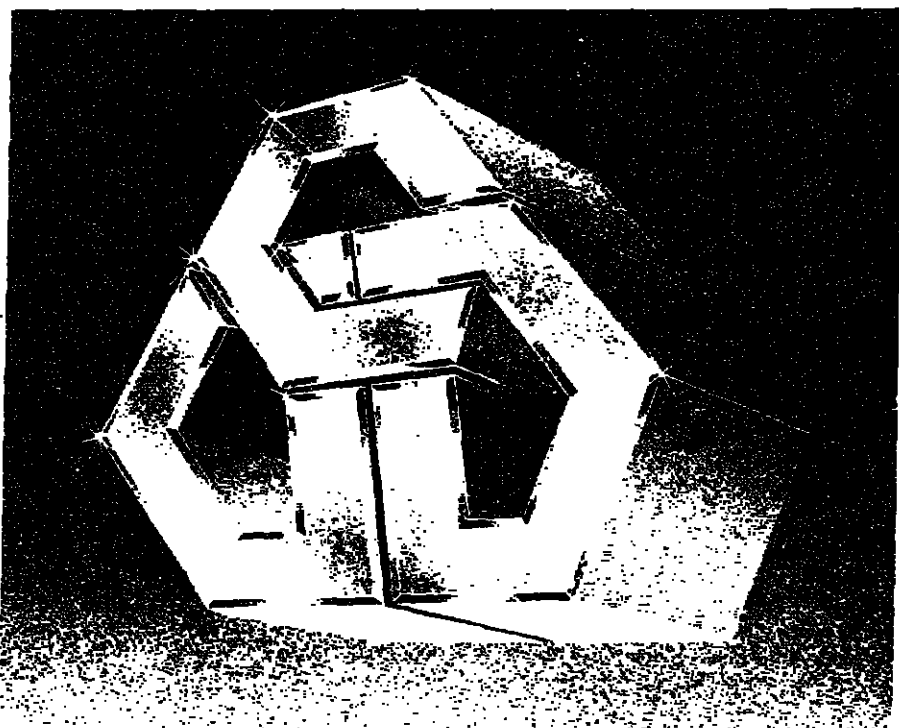
For the vast majority, a return to the past would be tragic and inconceivable. The premier's warning of a Turkish or Polish problem in this corner of the Iberian peninsula must therefore be seen more as a desperate call for help with a seemingly unmanageable economic problem than as a real warning of future probabilities.

Gradually, some women are obtaining economic independence. More girls are going to universities each year and women already hold more than half the jobs in the civil service, though only a handful have reached the upper echelons.

Portugal has even had a woman premier, Maria de Lurdes Pintasilgo, who was appointed by President Antonio Ramalho Eanes in a caretaker role in 1979 prior to na-

tional elections. Her appointment was a breakthrough unimaginable in pre-revolutionary Portugal.

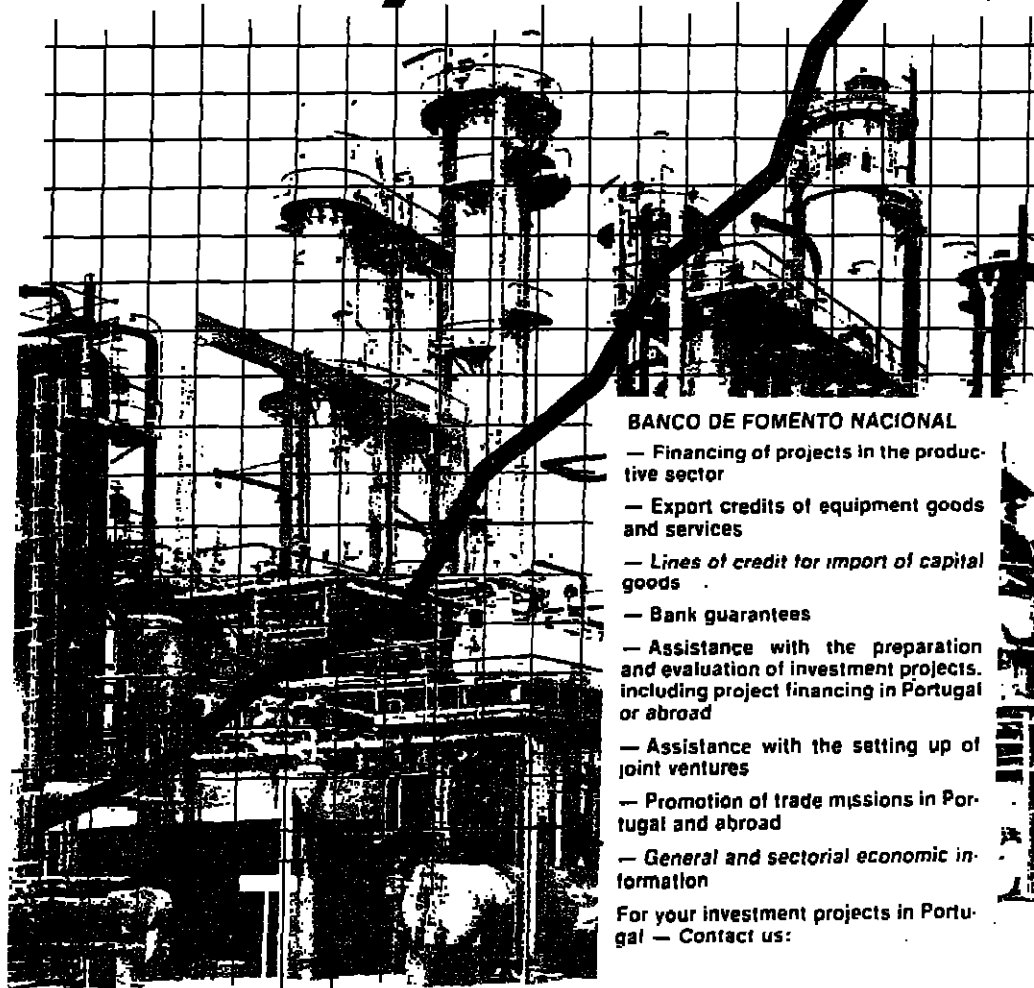
Women have made inroads into politics and government in this country, but with only 22 representatives of their own sex in a parliamentary chamber of 250, it looks as though for those carrying laundry to the river the lack of real equality will remain a fact of life for a few years to come.

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THE NATIONAL INVESTMENT BANK OF PORTUGAL**Tradition of Craftsmanship Is Alive and Going Strong**

By Shirin Timsar

LISBON — Lisbon is still a city where the sidewalks are made of carefully chiseled cubes of whitish marble. It may not require great skill to shape the cubes and pound them into the sand, but the pavements do show that apart from being the most old-fashioned capital in Europe, Lisbon is also a place where people take a great deal of trouble with detail.

A place where traditions die with difficulty, mostly because innovations are always expensive, is where a craftsman's skills are more likely to survive.

An old pink palace at the foot of the Moorish castle of Lisbon houses an institution set up in 1953 by a discerning banker to perpetuate the best traditions of Portuguese craftsmanship.

The Fundação Ricardo Espírito Santo Silva in the Largo das Portas do Sol is a warren of workshops that can be visited by appointment. Two tame doves somehow manage to breathe in the paintshop, fluttering above the workbenches. Pimples and pictures of football teams cover the walls, but its hallmark is that everything restored or reproduced there copies the methods used in the original.

Guide to Skills

A visit to these workshops not only serves as a guide to the skills that have survived in Portugal but also gives a unique insight into the country's social history. On one workbench the doors are being restored while on another a round empire table is being built, which will conceal two television sets for a rich Porto merchant's family.

The Fundação Ricardo Espírito Santo Silva manages to provide

training facilities for future generations of craftsmen by keeping alive as a commercial concern. The Iranian revolution deprived it of some of its best customers, but there are still enough banks, hotels and nouveau riches around.

A visitor to New York's Metropolitan Museum who buys a reproduction of one of the museum's collection pieces will actually be purchasing something made in Portugal by the Vista Alegre porcelain works.

Humorous Approach to Serious Business

(Continued from Page 75)

lages and into countries where there are Portuguese immigrants. He will do a show for immigrants on Broadway next year. He will go to Bulgaria to sing in the Bulgarian song festival. He also writes a weekly column in a Lisbon paper. He has performed as far away as Macau and China, but he has little hope of becoming an international star.

Although he will gross about \$150,000 this year because he is at the top, he considers Portuguese performers underpaid, and he is worried about his future.

"I write all of my own material," he said. "I have only a secretary and two technicians. I have to go on the road to survive because TV pays so badly in Portugal." He has been asked to do a new TV show for the fall, but cannot find script writers. "The ones that are are old-fashioned and couldn't make their grandfathers laugh. They aren't trained. It is a technical profession."

José believes he was born to be funny, but it took eight years in show business before people began

to laugh at him. "It took a lot of practice. That's why most good comedians are over 40," he affirmed.

He began performing at the German School in Lisbon. He recalled: "I wasn't doing too well academically, but I discovered that because I was the little guy who

could wow them at the end-of-school program, none of the teachers ever failed me. This made me see a way to get through life." He joined a rock group, did theater and worked with an older, well-known comedian, Nicolau Bryner, before his big chance came.

Patient Endeavor Pays Off

(Continued from Page 75)

East trouble spots and has proved its usefulness in previous airlifts to Israel, as during the 1968 Yom Kippur war.

The base, Portugal's NATO membership, big U.S. grain sales and frequent Lisbon demonstrations of solidarity over major U.S. issues, like the Iranian hostages, Poland and Afghanistan, explain the close and warm ties existing between Lisbon and Washington.

One notable trend in Portugal's foreign policy over the past two years has been the steady cooling in relations with the Soviet Union, for the first time since the two

countries first exchanged ambassadors after the 1974 revolution.

This deterioration coincided with the coming to power of the present right of center governing alliance and reflects a conscious policy for both domestic and external reasons.

Lisbon has expelled a number of Soviet diplomats and other personnel over the past 24 months and recently insisted on one-third reduction of the size of the Soviet, East German and Polish missions here as part of the Western reaction to the Polish crisis.

Apart from a natural disinclination, the conservative administration here believes that a hard line toward the Soviet Union and its allies will reflect adversely on the Portuguese Communist party, Moscow's most faithful friend in Western Europe, and gain domestic political capital for the Alliance.

books themselves had been lost, the bindings were in fact fakes, blocks of wood with leather covers. Would the original owner have noticed?

But how does an ordinary book-binder fare in Lisbon? Before the 1974 revolution, Augusto Grácio had 11 persons working for him. Today, he only has one assistant and makes do with a relative coming in occasionally to help. He started at the age of 14, earning one and a half escudos a day as an apprentice. Many of the bookbinders with whom he learned his trade 40 years ago have since closed down, most of them after 1974.

Before the revolution, he had a flourishing trade with Britain, binding books sent over by London book dealers to take advantage of cheap labor costs in Portugal. Portuguese wages are still a quarter of the level of the northern Europeans, but costs have gone up steeply.

He spends most of the day in his sparse workshop up a dark, creaky staircase, at 76 rue dos Sapateiros, in downtown Lisbon doing commercial bindings. Asked how he would be affected if Portugal joins the Common Market, he replied: "The idea of the Common Market has sometimes crossed my mind, but I have never thought about it seriously. I do not know what it will mean to me." He does all his own bookkeeping and it is difficult to imagine him coping with value added tax.

Portugal is fortunate to have thousands of skilled artisans like Mr. Grácio or the potter of Vista Alegre. But the survival of this culture is being threatened. One of the biggest challenges the government will face in negotiating entry in the Common Market will be to insure that by not changing Portugal's way of life and taking the country out of the 19th century and into the 20th, it does not allow this unexploited asset to be destroyed.

SESIMBRA, 30 km from Lisbon: a certain suggestion of a philosophy of life

SESIMBRA is a picturesque fishing village at the gateway to Lisbon. Well-known and frequently revisited by foreigners, residents and tourists alike, Sesimbra stands welcoming and full of charm in the routine of her daily toil, the beauty of her landscape and in the flight of a seagull caught against the daily splendour of her sunset.

It is in this rare setting, so knowingly preserved by man yet so near and accessible, that VILLAS DE SESIMBRA, a small, high-quality tourist-residential complex, is to be built and completed by 1984.

A quality imposed by circumstance, with no concessions. Quality in the high standard and sobriety of the project itself. Quality in the construction and its inherent features. Quality in the lifestyle sought. All in all, a fair balance with a privilege of nature.

Set on some 12,000 m² of land forming a natural amphitheatre facing south over the beautiful bay of Sesimbra, the tourist-residential complex known as VILLAS DE

SESIMBRA comprises some 50 duplex-type flats, a heated open-air swimming pool, sauna, tennis courts and extensive lawns with leafy trees. A reception area and garages with space for car, boat and storage are an integral part of the scheme.

Currently at the development stage under a team of leading Portuguese architects, the project is distinguished aesthetically by the judgement and discipline with which the buildings blend with the landscape to form an harmonious and interrelating whole.

The properties are offered for sale freehold and there is a choice of flats ranging in area from 80 m² to 160 m². A feature of their design is that they are suitable for use either as a permanent residence or as a weekend or holiday home.

Large living areas with an open fire and inside garden, ... a marvellous inside garden lit naturally from above by an overhead skylight, a distinctive note created by this invasion of the surrounding

scenery into one's own home! A spacious kitchen/laundry/dining area (almost 18 m² in all), fully equipped and including a 4-ring vitroceraamic hob with fully automatic controls, fridge/freezer, hot-air fan oven, dishwasher, washing machine and tumble dryer.

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It is a unique development, indeed, and its smallness helps to enhance its personality.

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PORTUGAL

Education Is Rocked By Host of Problems

By Mary Castanheira

FIFTY years of dictatorship followed by continued social upheaval in post-revolutionary Portugal have left the nation's education in a morass of indecision, cross-purposes and neglect. "Education is like a desert," said one high school teacher. "We don't know what we're doing or where we're going." Stop-gap reforms since 1974 swaying with the country's politics have characterized the educational system, but no realistic study to adapt education to the country's needs has been done. Enrollments have tripled in primary and secondary schools. University entrances climbed from 46,000 in 1970 to 71,000 in 1976 but have since dropped to approximately 12,000 in 1982. Six years of mandatory schooling were introduced to raise and technical schools were abolished after the revolution in an effort to end social divisions, while countrywide programs were introduced to improve on the 30-percent adult literacy rate, the highest in Europe. The increase in numbers has put unbearable pressure on teachers and schools. More than 1.8 million students are crowded into 12,000 schools, and less than half the teachers are fully trained. New schools can't be built fast enough, while the old schools are literally falling apart.

Order in System
A typical example is Oeiras High School. Located in a Lisbon suburb, 3,000 students attend classes in a building designed for 900 during three five-hour shifts from 8:30 a.m. to 11 p.m. Facilities are overcrowded and lack washrooms, labs, cafeterias and chalk. Desks and chairs are broken. Vandalism is rife and discipline is difficult. Many high schools had to be closed down before the February carnival holiday as students influenced by outsiders created chaos, throwing eggs and stink bombs and riding around playgrounds on motorcycles.

The whole system expanded too quickly, says Vitor Crespo, minister of education since 1979 and a former chemistry professor at the University of Coimbra. Mr. Crespo said the situation was insupportable when he took office but he has managed to prevent strikes and put some order into the



COPING TO LEARN — Pupils in class at Alges secondary school.

education system. "Demands are terrific. We need to build more schools and bring up the standards as well as find a classroom for everyone," he added. The ministry is making a major push to overcome the problems, but admits that politics complicate the scene and schooling resources are extremely limited. The state budget allows 67 billion escudos for education this year, barely keeping up with inflation. World Bank and EEC credit lines will help to build polytechnical and vocational schools, but money is scarce for needed research, modern equipment and repairs on existing schools. Only 0.2 percent of Portugal's GNP is spent on scientific research.

Teachers and students complain that they are not consulted about required changes. "We understand that any minister would have trouble with the terrible deficiencies in education, but everything is done in a patchwork way and the medium term will not get better," said Antonio Lacerda, president of the Social Democratic Youth, the largest pressure group in education. The Social Democratic Youth has won successive elections and controls most university student bodies and over half of the high school associations. "We want the minister to listen to us."

Teachers have more chances to be creative since the revolution but programs are not co-ordinated, said Maria dos Reis Juba, a history and philosophy teacher in a high school. "The results are appalling and students leave high school without preparation for the university." Failure rates are increasingly high, with only four out of 50 students passing in some subjects.

In Lisbon's primary schools, 30 out of 100 pupils fail, while outside

the city 40 percent fail the primary school exam. A recent study pointed to the fact that the majority of these cases, parents are from working classes and many are illiterate. The high failure rates are linked to teacher shortages as well as to the student's social background. In order to meet the teacher demand after the revolution, various governments accepted untrained teachers. In high schools, 43 percent are trained graduates, 33 percent have a university education and 16 percent are unemployed doctors, lawyers or university students called to fill the gaps after the four-month summer vacation. Salaries are low, with top teachers earning 39,000 escudos monthly, a salary equivalent to that of an army captain. Hiring practices add to teachers' instability, with only a small number secure in their jobs from one year to the next.

"Many teachers have no sense of responsibility, teaching only 21 hours a week and not preparing lessons," says Mr. Crespo. "Absenteeism is high — leaving students wandering about the schools." The ministry will open two teacher-training colleges this year and teachers who are absent more than 30 days will be penalized.

Only 11 percent of the 140,000 students in higher education manage to enter a university at all. The universities, bursting at their seams in 1976, have introduced

stringent quotas on entry numbers. Those who don't make it are left at loose ends. The government, concerned with this vacuum, hopes to have five polytechnical and 10 vocational schools operating in the next few years. With university entrances limited and job prospects nil, students eye the future dimly. "Even good marks are not a guarantee for university any more," said Jose Penalva, a 16-year-old high school student. "Many pupils try exams knowing they haven't a chance but it's better to try, fail and stay in school than fool around in the streets," he added.

"Schools make no attempt to capture our interest," said Carlos Oliveira, 17. "There are no sports programs, no dances, no libraries or labs. We rarely discuss anything in the class and teachers tend to stick to the book." In the last year of high school many students know they will fail whether they cheat or not and they feel cheated. "Many of us try to get into the armed forces as the only way to continue studying," said Jose Penalva. "We must find alternatives ourselves," he added.

Portugal's entry into the EEC is earmarked for 1984. Many fear that if educational reform continues to be neglected, the country's ability to produce managers and technicians to compete with more advanced neighbors will be in jeopardy.

The Military Returns To Instruct Old Foes

LISBON — Nothing could illustrate better the extent to which Lisbon's former African colonies have made peace with Portugal than the fact that the Portuguese military are being gradually invited back by the very guerrillas they once hunted in the bush. Ever since the breakup of Lisbon's colonial empire in 1975, the Portuguese military have always told their NATO partners that no other army in the alliance could match Portugal's experience in African guerrilla warfare.

There are, after all, some one million Portuguese men who learned the techniques of counter-insurgency the hard way in the swamps of Guinea or the forests of Cabinda during the 13-year war that Lisbon had to fight against Soviet-trained guerrillas in Angola, Mozambique and Guinea-Bissau. The country that seems keenest in reaping some of that experience is Mozambique, where the ruling Marxist Frelimo Party faces a growing threat from attacks against strategic economic targets by the South African-backed guerrillas of the National Resistance Movement.

A top-level Portuguese army mission has just visited Mozambique to prepare the way for the signature of a military cooperation agreement that will cover a wide field, ranging from the sales of Portuguese-manufactured weapons to combat training for Mozambican troops by Portuguese instructors. The mission included one of Portugal's outstanding officers, Brig. José Loureiro dos Santos, a former deputy chief of general staff and ex-minister of defense. The Mozambican defense minister, Gen. Alberto Chipande, is due here this month, having been preceded in March by the country's security chief, Maj.-Gen. Jacinto Veloso.

Establishing Ties
The green light for establishing military ties between Frelimo and the Portuguese army it had fought in the bush was given by President Samora Machel during the visit of President Antonio Ramalho Eanes of Portugal to Maputo last November.

Machel, a former medical orderly, received the sword of honor of the Portuguese army from General Eanes, a psychological warfare expert, who twice served in Mozambique during the colonial wars. Deeply moved, President Machel paid an emotional tribute to the Portuguese army.

What is of greatest value to the ex-colonies are the counterinsurgency techniques the Portuguese army has developed when the 1961 uprising in Angola caught the former regime entirely unprepared for subversive warfare. The training of Portuguese commandos is, for instance, of a rigor that British officers say none of their men would stand for. The commando's survival training begins on the assault course where the instructors use live ammunition. If he is not quick enough when the machine-gun fires or the grenades start exploding, he is not going to last long.

—SHIRIN TIMSAR



Macao: Vestige of Empire Gets a New Lease on Life

FIVE hundred years ago, Vasco da Gama discovered for Portugal the sea route to India, opening the way for his fellow explorers to the regions of China, Japan and Southeast Asia.

In this way, in 1555, the Portuguese established a tenuous foothold on the Chinese mainland, putting down roots in what is today their last remaining colony — Macao, a gambling paradise across the water from Hong Kong.

Since then, Macao has, with some exceptional periods, muddled along as best it could in a sort of twilight of benign neglect. This all changed when leftist officers took over in Portugal's 1974 revolution and attempted to give the colony back to Peking. The offer was vigorously rejected as China prefers to keep Macao as a trading and foreign-exchange center for the world, while any move to integrate the territory would have created grave risks for the future of Hong Kong.

Today, Macao is officially described as a Chinese possession under Portuguese administration, a formula that admirably suits both sides.

From the mid-1800s Macao, in contrast to the dynamic Hong Kong, went into a steady decline despite an important textile and gambling industry. Things changed after President Nixon's historic opening to Peking, which sparked a new relationship between China and the West and gave Macao a renewed lease on life.

Incidentally, the Macao-China-United States link goes back to 1844, when the United States and China signed a treaty that year in a Macao temple.

Ambitious Plans

Latest reports say Macao is headed for a boom, with ambitious plans to develop its infrastructure, improve a chronic housing problem and promote the territory as a tourist attraction. The territory's Portuguese governor, Adm. Almeida e Costa, recently unveiled his administration's plans for the colony, stressing telecommunications, airport and harbors, housing, textiles and light industry as priority areas. Some of these plans, including the international airport, harbor improvement and new telecommunications networks are already under way.

Local government officials are trying hard to attract Portuguese businessmen to Macao. In contrast to their British counterparts, who have made industrial empires in Hong Kong, Portuguese entrepreneurs have neglected Macao. The administration maintains that Portuguese traders, apart from the local market, would also be well positioned to take advantage of the opportunities in neighboring China, Hong Kong and points east.

They acknowledge that the market is highly competitive and this has apparently deterred many Portuguese from moving in. The administration hopes that Portuguese construction firms will seize the current opportunity to compete for the supply of construction materials to meet the need of the crash housing program planned by the government.

Finally, the banking sector is to be revitalized with a view to turning Macao into a financial center. Present restrictive legislation on financial operations and rights of establishment is under review, along with measures to defend the local currency, the escudo-linked pataca.

—KEN POTTINGER

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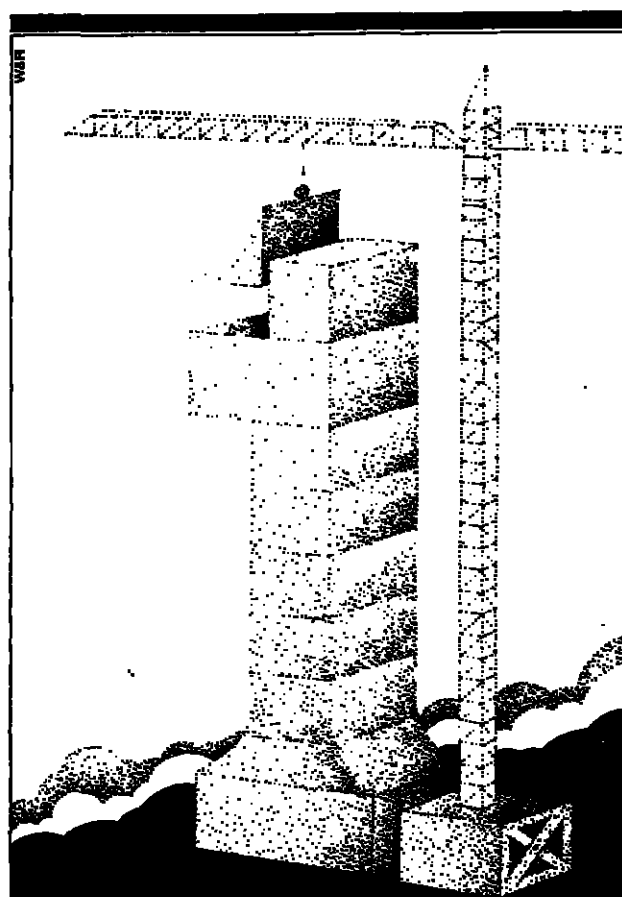
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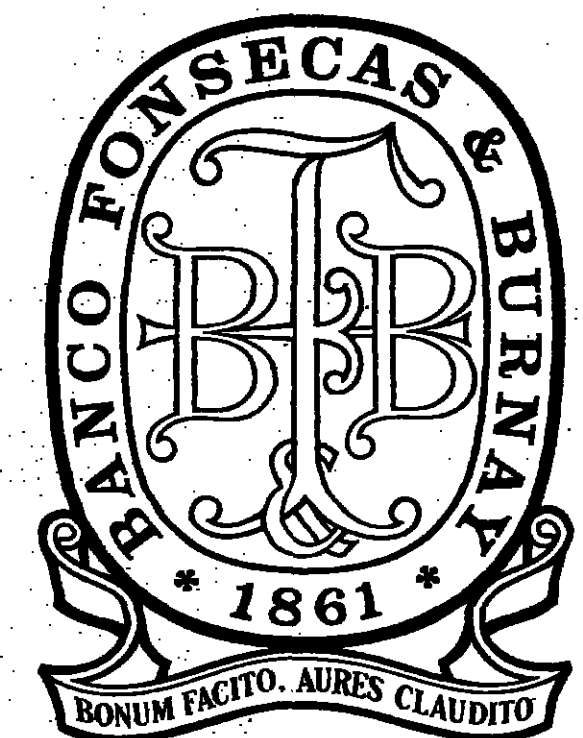
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Buyers Turn Wary Over Mixed Signals

By Carl Gewirtz
International Herald Tribune

PARIS — The rush to buy Eurobonds evaporated last week. The scene was set by yet another thunderbolt from Henry Kaufman, the Salomon Brothers economist, who reiterated his view that U.S. interest rates will surge this year and test the record highs set in 1981.

EUROBONDS

Mr. Kaufman, of course, has said it all before. But then came the news of increased April retail sales, up a surprisingly large 1.4 percent, and an 18 percent surge in early May auto sales. Gains which indicated the economy was improving faster than many had expected.

This was a negative reading for the market, implying, dealers concluded, that the Federal Reserve would be under less pressure to ease its monetary policy. This view was reinforced by an upturn in the cost of overnight money which rose to a mid-week high of 15 percent.

The late week report of a wider than expected 0.6 percent decline in U.S. industrial production in April helped calm nerves, as did the dip in the cost of federal funds, the base U.S. interest rate. Fed funds traded down to a low of 14 1/2 percent in New York late Friday before ending the week at 14 1/4 percent.

(Continued on Page 17, Col. 1)

Mexicans Find Oil Boom Provides Elusive Dividends

Oil Glut, Inflation Create New Problems

By Douglas Martin
New York Times Service

MEXICO CITY — From the hundreds of piles of neatly stacked steel pipe in steamy southern jungles to the skyscraper being built in Mexico City for Petróleos Mexicanos, the state petroleum monopoly, it is apparent that oil has become something of a king in this democratic country of 70 million.

"We can't say it yet, but our large discoveries in the south may be linked in one giant field," said Manuel Sandoval, a spokesman for Pemex, as Petróleos Mexicanos is known. "If that is true — wow, wow, wow."

That is almost a matter of detail. There is no longer doubt that Mexico is an oil power of the first order, with potential rivaling that of Saudi Arabia. Mexico now claims proved and probable hydrocarbon reserves of 150 billion barrels — a figure foreign experts do not dispute — indicating that it could export increasing amounts of oil for more than a century.

But whether it chooses, or is able, to do so is another matter. Now that the dimensions of Mexico's oil resources have become clear, the country is facing a barrage of obstacles, ranging from the oil glut to a battered economy that is sharply constraining Pemex's spending.

Hopes Unfulfilled

Moreover, it is clear that oil has not fulfilled the hopes that the Mexican people had placed in it. Instead of the \$27 billion in oil and gas sales that were expected this year, the Banco de Mexico recently estimated that 1982 oil revenues could be as low as \$12 billion.

At the same time, government spending of oil revenues and oil-related borrowings has driven inflation to an annual rate of nearly 60 percent, resulting in a dramatic increase in foreign debt and the devaluation of the peso in February.

Against this backdrop, the country is

struggling to determine how best to use its oil. "We're now trying to look at the forest instead of the trees," said Gilberto Escobedo, a top Pemex official. "At first the main goal was to increase reserves and production."

That goal has been accomplished. Pemex claims proven hydrocarbon reserves of 72 billion barrels, of which 57 percent is oil, 21 percent natural gas and 12 percent gas liquids such as propane.

There are now many eyes on Mexico, waiting to see how it will react to its new role as a major oil exporter after being an importer just seven years ago.

They've got some very, very tough decisions to make," a top official in the U.S. Energy Department said in a recent interview.

8% Growth Rate

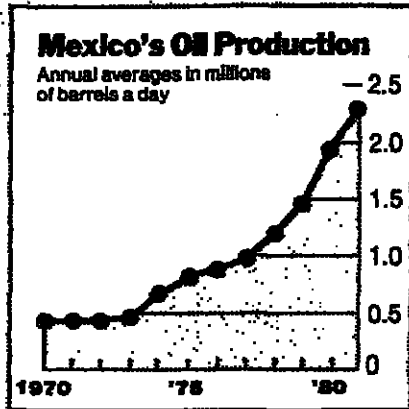
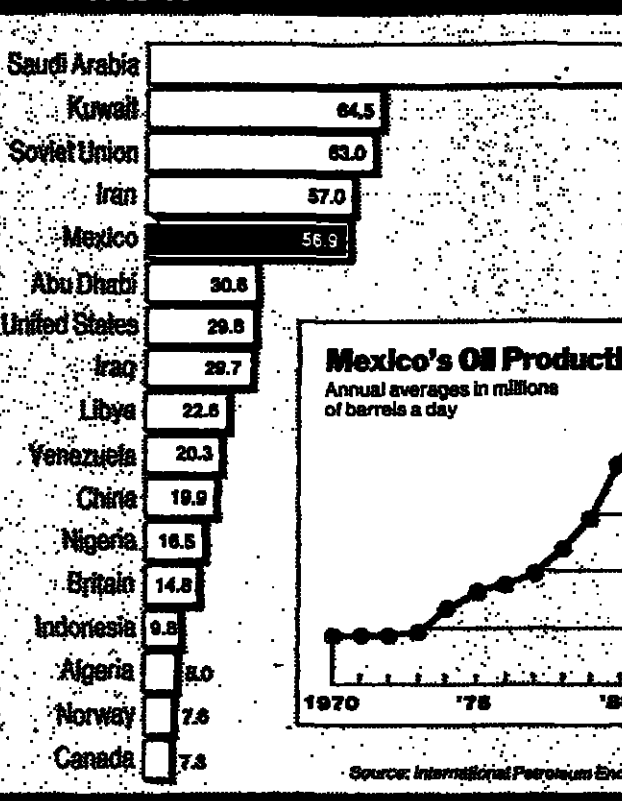
More narrowly, Mexicans prize their independence and are particularly leery of close energy links with the United States.

But oil wealth, despite the present troubles, has improved the country's lot. By spending oil revenues — half of which flow directly to the federal treasury in taxes — and by borrowing heavily against oil reserves and spending the proceeds, the government has fired an annual growth rate of 8 percent over the past three years. This has sparked a 4- to 5-percent annual increase in jobs. Mexicans have also gained through large subsidies to petroleum products.

But as a result of the heavy borrowing, the national foreign debt has soared to \$70 billion, according to diplomatic sources. Pemex, hit by the oil glut, has eased payment terms and improved the mix of crude to spur sales. It has also canceled some drilling rig orders, slowed refinery expansion and taken other cost-cutting measures.

Mexico Joins the World's Oil Powers

Proved oil reserves (including natural gas liquids) as of Jan. 1, 1982, in billions of barrels



And oil has not been able to keep pace with expectations. Two years ago, Pemex was projecting oil and gas revenues of as much as \$27 billion for 1982. The Banco de Mexico recently pushed its estimate down to \$12 billion to \$13 billion. Earnings in 1981 came to \$14.59 billion.

The anticipated revenue drop is a direct consequence of the oil glut. This year, Pemex has been exporting a daily average of 1.1 million barrels of crude compared with its target of 1.5 million. Total production is about 2.5 million barrels a day.

Nonetheless, oil revenues still represent a sharp improvement from the 1979 figure of \$3.9 billion.

Mexico's oil policymakers, meanwhile, continue to wrestle with these issues:

- Prices. Mexico has cut the price of its better Isthmus grade of crude by \$6.50 over the past year, and its inferior Maya grade by \$9.50. Further reductions were expected in April, but none were made. Diplomatic sources said Pemex had concluded that a price cut would not necessarily help sales, given the high carrying costs of nearly 75 cents a barrel as well as oil's abundance.

• OPEC. Reports are circulating that Mexico has agreed to accept observer status in OPEC under Venezuelan sponsorship. Mexico's apparent, new willingness to flirt with OPEC may reflect its growing perception of itself as a major factor on the world oil scene. But it also might be viewed as a means of appeasing Venezuela, whose prices Pemex has been systematically undercutting.

Nigeria's Oil Output Rising Sharply After Slump, MEES Reports

From Agency Dispatches

BAHRAIN — Nigeria's oil output, which has plummeted during the past two months, is rising faster than expected and may top 1.3 million barrels a day this month, the Middle East Economic Survey reported Sunday.

The authoritative oil journal based in Nicosia said increased exports by Nigeria and Iran have probably raised OPEC oil output to 17 million barrels a day, compared with a low of around 16 million in mid-April when low demand in the industrialized countries aggravated a world oil glut.

"This is still a very low level output by 'new standards,'" MEES said, when compared with a 1979 level of about 31 million before the world recession slashed demand.

The journal said that OPEC oil ministers at their meeting in Quito, Ecuador, on Thursday have a "tricky task" to decide whether the prospect of increased demand beginning in July would warrant a relaxation of the present 17.5 million barrels a day overall output ceiling.

OPEC had set a 18 million barrel a day ceiling at its Vienna meeting in March, but this figure later was effectively reduced by Saudi Arabia. With the cutbacks, supply and demand has leveled off and the free market price for Arab light crude recovered last week to OPEC's \$34 reference price, after falling below \$28 in March.

MEES said reports from Lagos "indicate that average Nigerian crude oil output in May will reach or even surpass" the OPEC ceiling of 1.3 million barrels a day, though the journal noted that the ceiling applied to the quarter as a whole.

Nigeria's output fell to 880,000 barrels a day in April from 1.75 million in January as customers shunned its oil, set by OPEC at \$35.50 a barrel.

"It appears that improved market conditions have begun to attract back many of the customers that Nigeria lost during the doldrums of March and April," MEES said.

OPEC took action to defend Nigeria's price by threatening sanctions against companies if they continued to cut back on purchases from Nigeria.

Referring to Iran, MEES said although the precise volume of exports is still shrouded in mystery, it is nevertheless evident there has been a substantial boost in liftings over the past few weeks.

"The indications are that Iranian oil deliveries [including ship-

U.S. Agency Divides Up Braniff Spots

From Agency Dispatches

DALLAS — The Civil Aeronautics Board has awarded three airlines the international routes abandoned by Braniff International after the airline filed a petition for bankruptcy.

American Airlines obtained Braniff's Dallas-London route, the board announced Friday. Continental Airlines received the Houston-New Orleans-Venezuela route, while Eastern Air Lines got the Dallas-Mexico City route.

The routes, which were sought by up to nine applicants, were awarded through April 26, 1983. Alan M. Pollock of the CAB, said the board would ask the carriers to honor tickets sold by Braniff for flights on those routes.

American said it will begin serving the London route May 19 and that it would honor Braniff tickets for the route.

The routes to Venezuela and Mexico City had not been included in the CAB decision last month that allowed Eastern to take over for 15 months Braniff's operations in Latin America.

On Thursday, Braniff suspended all its flights and filed under Chapter XI of the Federal Bankruptcy Code for protection from creditors while it attempted to reorganize as a smaller airline, operating in the southwestern United States.

The bulk of Braniff's debt — \$733.2 million — is owed to 39 banks, insurance companies and other institutions.

Crédit National Loan Is Marginally Complex

By Carl Gewirtz
New York Times Service

PARIS — France's Crédit National is tapping the Euromarket for \$600 million using a complicated formula that bankers say is designed to disguise an ever so modest tightening of terms.

The eight-year loan is broken into five reference periods, the first two for 30 months each and the final three for 12 months each. During each period, the borrower agrees that it will draw at least 80 percent of the loan and that the portion based on the London inter-

SYNDICATED LOANS

bank rate will constitute not more than 55 percent and the portion based on the prime rate not more than 45 percent.

This is only the second time that France has agreed to use the prime rate as a base. The margin will be set at 10 basis points (100 equals one percentage point) over prime, the narrowest spread ever for a non-U.S. borrower, or 25 basis points over the rate for 90-day certificates of deposit. Crédit National will pay whichever rate is higher.

Normally prime-CD formulas carry a so-called cap, whereby borrowers agree to use the prime base so long as it remains not more than 100 to 110 basis points over the CD rate. If the gap is wider, the base automatically switches to the CD formula. The prime, currently 16 1/2 percent, is an administered rate that includes a profit for banks. The CD rate, currently 15 1/2 percent adjusted for reserve requirements, is a market rate, representing a close approximation of what it costs banks to borrow money, and is therefore usually lower than the prime rate.

Higher Rate Assured

Thus, Crédit National's narrow margin over prime is designed to make up for the absence of any "cap." Lenders are assured of getting whichever rate is higher.

This should be very attractive to banks and compensate largely for the thin 37 1/2 basis points that the Crédit National will pay on the Libor-based portion of the loan. The six-month Libor rate is currently 14 1/2 percent.

However, all is not quite what it seems to be for Crédit National can really end up paying 69 percent

Libor pricing and only 31 percent prime pricing if only 80 percent of the amount is drawn.

Taking the example of a lead manager underwriting \$35 million of the loan and assuming Crédit National draws only 80 percent means \$28 million of the manager's commitment is to be utilized. The 55 percent Libor drawing of the \$35 million underwriting works out to a total of \$19.25 million. As only \$28 million is to be drawn, that leaves only \$8.75 million to be pegged to the more expensive prime-based formula. In another way, \$19.25 million is 69 percent of the \$28 million actually drawn.

The high Libor content favors Crédit National as that is the lowest charge — 15.125 percent compared to 15.35 for the CD rate and 16.6 percent for prime.

But in return for this, Crédit National is paying a commitment fee of 3/4 percent, payable quarterly, on the 20 percent undrawn portion of the loan, compared to 1/4 percent on earlier deals. The fee on the undrawn portion drops to 1/4 percent if 90 percent or more of the loan is utilized.

Shorter Reference Periods

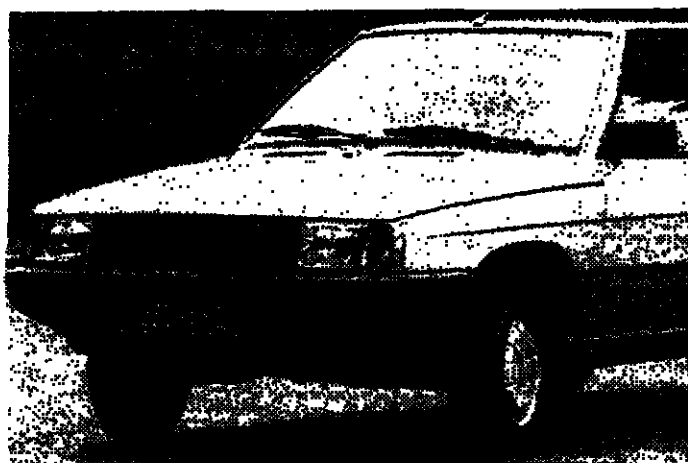
In addition, the reference periods for maintaining the average utilization are shorter than the four-year periods in the previous loan for Crédit Foncier, the first French transaction to contain a prime option. Finally, front-end fees and commissions are reliably reported to be a notch higher than earlier deals.

Marketing of the loan will be helped by the fact that Japanese banks are taking 25 percent of the deal. However, bankers question whether the French banks are attracted given the potentially high portion of low-cost Libor.

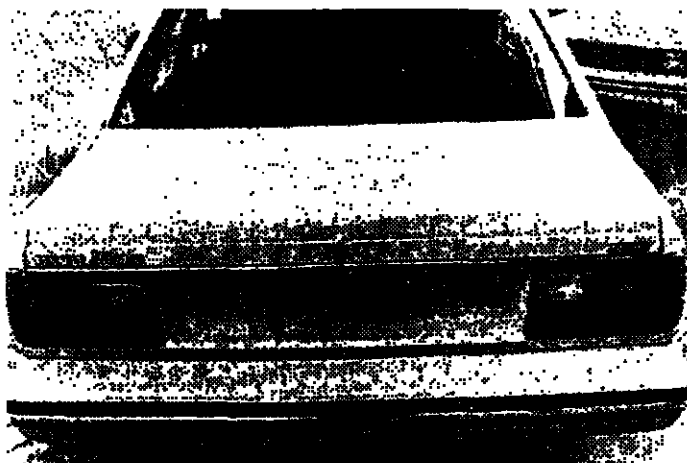
Portugal's electricity agency EDP is in the market for \$100 million, offering 4 1/2 point over Libor for the first six years and 3/4 point over Libor for the final two years.

Ireland is sound the market for two \$100 million loans, one for the government, which Merrill Lynch is arranging, and another for the Irish Office, which Allied Irish Bank is putting together.

(Continued on Page 17, Col. 6)



Renault 9 ... France's model carries only one logo



Alliance ... U.S. model shows its dual origin

Alliance: A Car and Way of Survival for AMC

By John Holusha
New York Times Service

KENOSHA, Wis. — In turn-of-the-century buildings that once produced mattresses and bicycles, American Motors Corp. is preparing for what is probably its last effort to remain a volume manufacturer of passenger cars.

AMC is set to begin production of the Alliance, a front-wheel-drive subcompact model, next month with public introduction scheduled for early in September. The company said it hopes to sell 100,000 Alliances next year.

The badges on the backs of some pilot production cars tell of their ancestry. On the right is the familiar AMC logo; on the left is the Renault emblem. The Alliance, in fact, is an Americanized version of the French company's R model, which was introduced in Europe last year. It is about the size of a Ford Escort, but is classified as a five-passenger, rather than a four-passenger, car.

The Alliance is a product of the growing ties between AMC and Renault. The French company, over the past few years, has spent \$350 million to raise its stake in AMC to 46.9 percent, and has also provided the bulk of the \$200 million needed to bring out the Alliance.

Indeed, auto industry analysts have said that AMC is rapidly becoming less an independent auto company than the U.S. marketing and manufacturing arm of Renault. AMC officials have said the company's conventional rear-wheel-drive cars will be dropped by the 1985 model year and its

four-wheel-drive Eagle will become a Jeep product.

Analysts also question the timing of the Alliance introduction, although they concede there is little that could have been done to bring it out earlier.

"It's another front-wheel-drive econobox and we already have a lot of capacity for that kind of car," observed David Healy, who follows the auto industry for Drexel Burnham Lambert. He said the company's best hope would be for a strong auto market, where an additional 100,000 cars could be sold without taking sales away from the General Motors "J" cars, Ford Escort or Japanese subcompacts.

The Alliance's best chance of success will come if it is "priced very competitively," said Harvey Henabach, an analyst with Merrill Lynch. "If they're going to make a mistake, they should make it on the low side since you can always raise prices if you sell out."

Aggressive Pricing

AMC and Renault have already signaled an aggressive pricing strategy. The Renault LeCar model, which is sold by AMC, is one of the few cars in this market with a list price under \$5,000, and the sporty Renault Fuego, introduced early this year, carries a base sticker of \$8,500, compared with the five-figure price tags of some competing models.

Based on current prices, the Alliance would appear to fit between the deluxe LeCar, at \$5,595, and the larger Renault 18, at \$7,398. AMC will continue to sell imported Renaults along with the Wisconsin-built Alliance.

percent of the Alliance will be made in the United States, although the engine and transaxle will be imported from Renault.

AMC engineers have made a number of modifications to the R-9 to suit the U.S. market. One has been the addition of sound deadener to produce a quieter ride.

The Alliance will be sold in two-door and four-door sedan versions at first, but other variations, such as hatchback models, are scheduled for later introduction. AMC is also developing a four-cylinder engine for a line of smaller Jeeps and Jeep derivatives to be introduced in 1983. The company is also planning to produce a light truck in the near future.

In preparation for the debut of the Alliance, AMC has organized a captive finance subsidiary, American Motors Credit, to help its customers finance retail purchases. AMC officials plan to focus the new subsidiary's resources on making the Alliance a much-needed success.

CURRENCY RATES

Interbank exchange rates for May 14, 1982, excluding bank service charges.

	\$	£	D.M.	F.F.	IL.	Yen	S.P.	S.F.	D.K.
Amsterdam	2.549	4.469	62.55	0.1996	5.893	17.21	17.72	22.43	5.58
Brussels (a)	42.71	74.43	14.975	7.227	3.285	30.75	31.27	22.43	5.58
Frankfurt	2.549	4.469	62.55	0.1996	5.893	17.21	17.72	22.43	5.58
London (b)	1.6275	—	4.7126	11.0519	2.2458	4.4643	79.35	3.547	14.915
Milano	1.28415	2.22336	55.45	2.121	2.121	30.87	25.85	46.69	14.13
Paris	6.55	1.336	6.468	0.2779	0.2779	0.2779	0.2779	0.2779	0.2779
Stockholm	4.034	10.791	26.58	—	4.4945	32.65	13.224	310.35	77.97
Zurich	1.94	3.576	64.725	32.18	0.1509	75.95	4.49	—	34.725
1 ECU	1.084	0.5475	2.268	0.226	1.2436	2.698	45.82	2.262	0.858
1 SDR	1.1245	0.6227	2.254	0.227	1.2435	2.698	45.82	2.262	0.858

Dollar Values

	\$	£	D.M.	F.F.	IL.	Yen	S.P.	S.F.	D.K.
1.000	1.000	0.693	3.36	0.483	1.936	36.08	1.936	0.483	0.693
1.000	1.000	0.693	3.36	0.483	1.936	36.08	1.936	0.483	0.693
1.000	1.000	0.693	3.36	0.483	1.936	36.08	1.936	0.483	0.693
1.000	1.000	0.693	3.36	0.483	1.936	36.08	1.936	0.483	0.693
1.000	1.000	0.693	3.36	0.483	1.936	36.08	1.936	0.483	0.693
1.000	1.000	0.693	3.36	0.483	1.936	36.08	1.936	0.483	0.693
1.000	1.000	0.693	3.36	0.483	1.936	36.08	1.936	0.483	0.693
1.000	1.000	0.693	3.36	0.483	1.936	36.08	1.936	0.483	0.693
1.000	1.000	0.693	3.36	0.483	1.936	36.08	1.936	0.483	0.693
1.000	1.000	0.693	3.36	0.483	1.936	36.08	1.936	0.483	0.693

(a) Commercial bank. (b) Amounts needed to buy one pound. (*) Units of 100. (d) Units of 1,000.

NOTICE OF REDEMPTION

To the holder of the notes payable in United States Dollars of the issue designated 9 1/4% guaranteed notes due 1982 Marriott Overseas Corporation N.V. final redemption due June 15, 1982 of U.S.\$4,500,000.

Public notice is hereby given that Marriott Overseas Corporation N.V. intends to and will redeem for final mandatory redemption purposes on June 15, 1982 pursuant to the provisions of section 6 of the notes. All of the \$4,500 notes of the above mentioned issue, remaining in circulation, shall be redeemed at 100% of the principal amount and should be presented and surrendered for final mandatory redemption at the offices of Bank of America International S.A., Luxembourg, Bank of America N.T. & S.A., London, Paris and Frankfurt-am-Main, European Banking Company Limited in London, Bankers Trust Co. of New York, Kuwait Investment Company in Kuwait and Kreditbank S.A. Luxembourg, Luxembourg on or after June 15, 1982. Interest on said notes will cease to accrue on June 15, 1982. Accrued interest to final redemption date June 15, 1982 will be paid on a 360 day basis, so that interest of U.S.\$97.50 will be paid for coupons dated June 15, 1982.

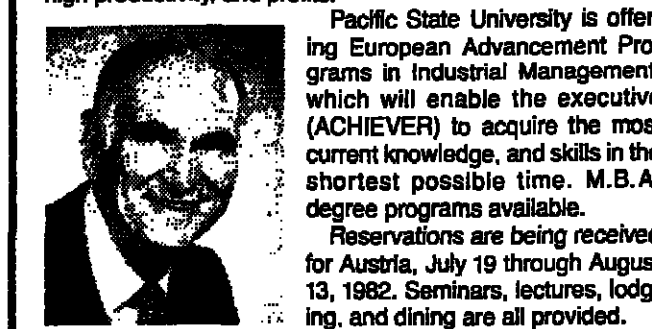
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By Bank of America International S.A., Luxembourg.
(Fiscal Agent and Principal Paying Agent.)

Luxembourg, May 17, 1982.

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Contact: President Steven Kase, 1516 S. Western Ave., Los Angeles, CA 90006 U.S.A. or/President Steven Kase, Alumni Office, Ranzhawweg 41, 8012 Otobrunn, West Germany

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CITIBANK

International Bond Prices — Week of May 13

Provided by White Weld Securities, London, Tel.: 623 1277; a Division of Financiers Credit Suisse - First Boston

(Continued from Page 14)

DM STRAIGHT BONDS

Am. Security	%	Mat	Price	Yield
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
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CONVERTIBLE BONDS

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dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
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dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2

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May 14, 1982

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Girozentrale und Bank der Österreichischen Sparkassen

Aktiengesellschaft

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On convertibles having a conversion

premium of less than 10%.

Am. Security	%	Mat	Price	Yield
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
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dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2
dm 100 Australia	10 1/2	12/12/82	101 1/2	10 1/2

Explanation of Symbols

Booming Video Shops Adopt High-Tech Look

By John Tagliabue
New York Times Service

MUNICH — West Germany's video pioneers first set up business here several years ago, peddling prerecorded cassettes of B movies and photographic films from what had once been candy stores. Early owners of videotape recorders, with little to choose from in the way of cassettes, flocked to the new shops.

The industry has changed dramatically from those days, and the rundown storefronts are being replaced by the high-tech look of video clubs, just one of the many retailers trying to cater to the booming West European trade in home video entertainment.

With only two or three state-controlled channels and little or no cable television in most European countries, television owners are turning to videotape recorders and cassettes to add new space to their viewing.

Last year, nearly twice as many video recorders were sold in Western Europe as in the United States, and nowhere is the trend more clear than in West Germany, which, after Britain, is Europe's biggest market for videotape recorders and cassettes.

"We estimate there will be about 60,000 recorder owners in Munich by the end of this year," said Rudolf Wiesmeier, an advertising agency, who founded the 30-store Video club chain with several other businessmen. "In the next two years we plan 40 to 50 outlets."

Europe-wide statistics are rare in the home video business, but the German Video Institute estimates that 485,000 prerecorded cas-

ettes worth \$44.2 million were sold in West Germany last year, nearly double the amount sold the year before. About 2 million more cassettes were rented, more than twice the number in 1980. And by all indications, the pace has not slackened.

Industry estimates put the number of titles available in West Germany at 4,000 to 5,000, although few retail programs offer more than about 1,000.

Though new rental outlets and clubs like Video are spreading, analysts say that the bulk of the cassette business is still done by appliance and department stores that sell video equipment.

Demand for Feature Films

The greatest demand in video cassettes, industry officials note, is for feature films, although they expect an increasing number of educational or promotional films to be produced directly for the video market.

British companies such as Thames Television lead efforts to produce home cassettes of major television productions, although in Britain, as in other countries, a major obstacle is uncertainty about copyright restrictions. But most governments are closing the legal gaps, and the hesitancy did not prevent the BBC from selling 5,000 prints of a cassette of highlights of the royal wedding in the first week of sales last fall.

As growth of the videotape market accelerates, industry officials acknowledge, the battle for film rights has intensified.

"When we started 14 months ago, we looked beggily at distributors and took what they gave us at prices they dictated,"

Mr. Wiesmeier said. "Now the power is divided more evenly, and we increasingly dictate the terms."

One result has been the availability of better films, and sooner. Cassette distribution has passed on largely to the traditional film distribution companies, among them Britain's Rank Organization and West Germany's UFA and Bavaria Film, which acquire film rights directly from production studios in the United States or Western Europe and farm out videotape reproduction work.

Increasingly, distributors rent the cassettes to outlets instead of selling them. Costs range from about \$25 for a short to about \$110 for a feature-length film for two years. Outlet owners say they get 40 to 50 rentals from a cassette before quality deteriorates.

The pressure of demand has altered traditional film distribution patterns. Industry officials said. When "Apocalypse Now" had its premiere in West Germany early last year, about a year passed before the cassette was released for home distribution. Last fall, only several weeks elapsed between the release of the West German submarine epic "Das Boot" and its availability on cassette.

There is much speculation about what effects all this will have on traditional forms of entertainment such as films, theater and television viewing. But Wolfgang Bock, an official at Beta Films in Munich and an analyst of video market trends, said:

"When the dust settles, much will be the same. Who goes to movies anyway? Young people looking for a night out. Video cassettes won't keep them home."

Interest Rates In U.S. Fall On M-1 News

By Michael Quint
New York Times Service

NEW YORK — Interest rates fell slightly late Friday after announcement by the Federal Reserve of an \$800-million increase in the U.S. basic money supply.

The slip in rates came even though the new \$449.9-billion level of M-1 is higher than would be consistent with the Fed's 1982 growth target of 2½ percent to 3½ percent.

Because of doubts about the Fed's monetary policy, trading was

U.S. CREDIT MARKETS

not enthusiastic after the announcement Friday. By late in the day, three-month Treasury bills were bid at 12.15 percent, down from 12.31 percent 10 minutes before the money-supply announcement, while the six-month bill was about unchanged at 12.25 percent.

In the note and bond market, prices rose ¼ point following the announcement, after rising by ½ point earlier in the day. The new 14½-percent notes due in 1985 were offered at 101 7/32 to yield 13.61 percent, the 13½ percent notes due in 1992 were offered at 101 22/32 to yield 13.43 percent, and the 14-percent bonds due in 2011 were offered at 106½ to yield 13.11 percent.

Traders estimated that M-1 growth would subside later this month and said that their attention was focused on an apparent increase in the availability of reserves in the banking system. Although a sustained increase in the Fed's provision of credit, or reserves, to the banking system would bring interest rates down from current levels, many were unsure if that was the Fed's intention.

"M-1 is about \$1.2 billion above the Fed's upper limit, and I think some additional declines in the money number will be required before the Fed can ease monetary policy," said William V. Sullivan, Jr., an economist at the Bank of New York.

Economists at Money Market Services, a San Francisco consulting firm, concluded that the Fed wanted to make reserves more available in the banking system. They said in a report that these became plentiful enough to reduce the level of net borrowed reserves to \$414 million in the week ended May 12 from \$626 million a week earlier and more than \$1 billion in late April.

The Fed's desired level of net borrowed reserves "could not have been much higher" than the \$414-million level, the firm said.

Crédit Loan Marginally Complex

(Continued from Page 15)

guaranteed by ENEL, the Italian electricity utility.

Spain's credit institute, ICO, is looking for up to \$250 million for eight years. Bankers report that ICO is insisting that the terms include an element of ¼ percent over Libor.

Venezuela is scheduled to meet with bankers this week in either Frankfurt or Paris to discuss terms on its proposed \$2.5-billion loan.

The meeting is being held on the Continent rather than London, the logical center, as U.K. banks are boycotting Venezuelan deals following Venezuela's outspoken support for Argentina in the Falklands dispute.

Bankers are not optimistic about the Venezuelan transaction. It is very large and marketing will be made difficult if U.K. banks do not participate. In addition, the participation of many U.S. banks is doubtful as Venezuela reportedly is resisting offering pricing over

the prime rate. Bankers also complain that the eight-year maturity sought is too long, that seven years is a maximum.

A six-bank committee has been formed to negotiate pricing, which many believe will have to show considerable improvement over previous Venezuelan loans. The talks is at least 1 point over Libor for the seven-year portion and ¼ point over Libor for the three-year portion.

Meanwhile, Argentina's Economics Minister Roberto Alemann met with European bankers Friday in Zurich and warned them that as short-term debts come due Argentina may be forced to ask the banks to roll over the debt. He added that the names of the borrowers may be substituted.

"We are going to repay our debts," a participant quoted the minister as saying, "but don't be surprised if we ask you to renew the loans."

While the meeting was called to

assuage bankers about Argentina's ability to meet its obligations, one banker who attended said the minister's one-hour presentation had the opposite effect.

"It was a political speech," he said, full of "rude, very rude remarks about U.K. banks."

Elsewhere, Peru's development agency, Cofide, is in the market for \$320 million, offering 1½ points over Libor for six years or 1½ points over the prime rate.

Chile's state petroleum agency, ENAP, is looking for \$100 million for eight years. Bankers expect it will pay more than 1 point over Libor.

In Asia, Malaysia is discussing terms for a loan of up to \$750 million.

Pakistan, despite the low ½ point over Libor for one year, ½ point over Libor for two years and ¾ point over Libor for three years, was able to increase the size of its loan to \$225 million from the planned \$175 million.

Bond Buyers Retreat as Uncertainty Advances

(Continued from Page 15)

per — as indicating the Fed will have little room to ease its policy.

Analysts said borrowing demand may swell money supply in coming weeks, which could lead the Fed to be reluctant to further ease its grip. Such credit demands, one analyst remarked, represent "the nuts and bolts of monetary growth."

Many analysts attribute the heavy demand for credit in the midst of a recession to distress borrowing by companies, largely to finance inventories.

All of this spelled bad news for the Eurobond market and dealers, facing shortened trading this week due to the annual meeting of the Association of International Bond Dealers in Venice on Thursday and Friday, were especially eager to place their bond holdings. A number of market participants spoke of sales at distress prices as dealers rushed to clear their shelves.

Wide Gap in Yields

The market's fundamental problem is that the early May surge in demand for dollar-denominated paper resulted in an extraordinarily wide divergence between yields on Eurobonds and yields on dollar bonds in New York. U.S. companies were able to sell bonds here at a saving of almost a full percentage point over what they would have had to pay in New York because the Eurobond market had convinced itself that rates were headed lower and accepted issues at terms that anticipated a further decline in short-term rates.

When that downturn failed to develop, the yields on Eurobonds were forced to adjust to market prices reality and prices of recent issues fell sharply.

Complicating matters was the very heavy calendar of new issues, which included:

- Mobil Exploration & Producing Finance, guaranteed by Mobil North Sea Ltd., \$500 million broken into: \$150 million of 13½ percent two-year notes; \$250 million of 14 percent three-year notes; and \$100 million of 15 percent four-year paper. All were offered at par but the two- and three-year notes ended the week at 98½ and the four-year notes were quoted at 98½. Lead manager Union Bank of Switzerland was reported to have taken half the issue for its own customers.

- W.R. Grace, \$75 million of seven-year notes bearing a coupon of 14½ percent and paid at 99½ to yield 14.87 percent. One of the most aggressively priced issues of the week, the Grace notes were quoted at 97 for a yield of 15.48 percent. Grace's domestic paper is rated single-A/triple-B.

Lead manager Merrill Lynch, implicitly confirming complaints that it is not supporting the after-market price, said, "We will intervene and take care of the issue at the right time." In the meantime, a spokesman said, "If co-managers want to sell the paper at a loss, let them."

Merrill Lynch offered the same explanation for the secondary market performance of Eurofima. The triple-A-rated agency financing the purchase of rolling stock for Europe's railways sold \$50 million of eight-year bonds at par bearing a coupon of 14½ percent. The paper was quoted at 97½ on Friday to yield 14.80.

This was the first European syndicated dollar Eurobond for Eurofima not led by Smith Barney, apparent confirmation of reports last year that Smith Barney lost the client when the firm had to withdraw its offer of a fixed-price deal when the market suddenly changed.

- Florida Telephone Finance, guaranteed by Florida Telephone Corp., \$65 million of seven-year notes rated single-A by both Moody's and Standard & Poor's. A coupon of 15 percent is indicated and pricing is open.

- Mead International Finance, guaranteed by Mead Corp., \$60 million of seven-year bonds bearing an indicated coupon of 15½ percent and open pricing. The paper was trading on a ¼-point basis at a discount of ¼ points.

- Illinois Power Finance, guaranteed by double-A-rated Illinois Power Co., \$50 million of seven-year paper bearing an indicated coupon of 14½ percent and open pricing. It also was trading at a ¼-point discount.

Superior Oil's \$125 million of

seven-year notes were priced at par but traded at 97½.

Newmont Mining's \$50 million of five-year notes, extendable to 1992, were quoted at 97½ after being offered at par bearing a coupon of 15½ percent.

GTE Finance's \$75 million of three-year notes, extendable to 1997, were quoted at 98 after being offered at par bearing an initial coupon of 15 percent.

Seas Roebuck returned to the market last week, offering \$400 million of zero coupon bonds. The 12-year bonds were offered at a price of \$235 which works out to an annual yield of 12.86 percent or a capital gain of 326 percent when the company redeems the bonds for \$1,000 at final maturity. The paper ended the week quoted at \$223.

Daiwa Europe was co-manager of the Sears issue, raising questions about whether Japan's Finance Ministry has eased its ban on the domestic sale of zeros. Daiwa said its underwriting was placed with investors outside Japan.

In the floating-rate sector, Long-Term Credit Bank of Japan is offering \$60 million of 10-year notes with semi-annual interest set at ¼ point over the six-month London interbank rate. A minimum coupon of 5½ percent is guaranteed.

ENEL, Italy's electricity agency, is seeking \$100 million for seven years, offering a coupon set at ¼ point over Libor.

From Australia, MIM Holdings (Mt. Isa Mines) is raising \$100 million and CRA is raising \$250 million through semi-public eight-year note facilities.

The MIM notes are offered for six-month maturities and CRA for 1, 3, 6 or 12 months. Interest on both is set at ¼ point over Libor. Banks earn a ¼ percent commitment fee and a 0.3 percent underwriting fee.

A group of banks has been invited to make offers to buy the notes,

assuring the borrowers of getting the most competitive rate. If the bids are unacceptable the underwriters will take the notes. The borrowers will not accept to pay more than the equivalent of Libor plus ¼ point. Conversely, if banks bid Libor plus ¼ point, the borrowers will save money.

In the convertible market, Kollmorgen, a U.S. manufacturer of circuit boards whose shares are listed on the New York Stock Exchange, is offering \$20 million of 15-year bonds bearing an expected coupon of 9-to-9½ percent. The bonds will be convertible into common stock at a premium of 12-to-15 percent over the prevailing NYSE price.

Prices in the Deutsche mark sector eased last week as the market weakened against the dollar. Bankers reported an empty reaction to the government's decision not to finance its job-creation program through an increase in the value-added-tax. As a result, the government is now expected to borrow an additional 6 billion DM in the public market, putting additional upward pressure on rates.

The issues on offer include:

- Austria, 100 million DM of 10-year bonds bearing a coupon of 8½ percent. Pricing, expected at par, is open.

- Bowater International

Finance, guaranteed by Bowater, 50 million DM of seven-year bonds bearing a coupon of 8½ percent. Pricing, expected at 99½, is open.

- Helsinki, 50 million DM of 10-year bonds bearing a coupon of 8½ percent and offered at 99½ to yield 8.59 percent.

Barclays Bank is scheduled to offer 100 million DM of 12-year bonds bearing a coupon of 8½ percent this week.

The capital market subcommittee meets on Friday to set the calendar for the coming month.

Eurobond Yields*
Week Ended May 12

Int'l inst. lg. term US\$	14.45 %
Ind. long term, US\$	14.29 %
Ind. medium term, US\$	15.73 %
Can. \$ medium term	15.82 %
French fr. medium term	16.86 %
Int'l inst. lg. term yen	8.09 %
ECU medium term	13.77 %
EUA long term	12.08 %
Int'l inst. lg. term LF	11.59 %
FL long term	11.61 %

* Calculated by the Luxembourg Stock Exchange

Market Turnover Week Ended May 14 (billions of U.S. dollars)	
Total	5,211.4
Govt	4,284.0
Enrol.	12,323.6
Non-dollar	927.4
	11,685.3
	638.3

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1981 HIGHLIGHTS

* Turnover up 59 percent to record \$242 billion. Value of securities in the system up 42 percent to \$58 billion at year-end, and now standing at over \$70 billion.

* Bridge fee to Cedel cut twice, saving members over \$1 million a year.

* 85 percent of all instructions received during the year in computerised form, reflecting considerable expansion of EUCLID time-sharing system which now has over 230 active users.

* New link with SWIFT network allows transmission of payment instructions for Euro-clear participants also members of SWIFT.

GROWTH OVER SEVEN YEARS

Fiscal year ended 30th November	1975	1976	1977	1978	1979	1980	1981
Number of Participants	566	653	770	856	974	1,056	1,162
Number of issues accepted in the System	2,570	3,244	3,969	4,747	5,450	5,738	6,463
Value of Securities in System (US\$ Billion)	4.9	9.4	15.6	21.4	28.4	40.7	58.0
Participants' turnover (US\$ Billion)	14.3	37.0	64.1	78.1	99.1	152.4	242.0
Average number of daily settlements	1,969	3,184	4,185	5,163	5,324	6,815	7,052
Total number of bond loans	N.A.	801	4,149	14,359	31,280	51,356	58,791

NEW ISSUE

This announcement appears as a matter of record only.

April, 1982

U.S. \$350,000,000

New Zealand

Floating Rate Notes Due 1987

Kidder, Peabody International
Limited

Amro International
Limited

Arab Banking Corporation (ABC)

Banque Nationale de Paris

Banque de Paris et des Pays-Bas

Citicorp International Group

Commerzbank
Aktiengesellschaft

County Bank
Limited

Credit Suisse First Boston
Limited

Deutsche Bank
Aktiengesellschaft

Fuji International Finance
Limited

IBJ International
Limited

Orion Royal Bank
Limited

Swiss Bank Corporation International
Limited

Union Bank of Switzerland (Securities)
Limited

S. G. Warburg & Co. Ltd.

SPORTS

Jockey, 16, Guides Aloma's Ruler To Half-Length Preakness Victory

By Dave Kindred

BALTIMORE — The cowboy hat wasn't all that big, actually less than half the size of Nebraska, and only three feathers had sprouted from the crown. But for Jack Kael, it was a statement. What you noticed, even from the next planet out, was that there was a star — 16 years old, tough-kid cute and the winning rider in Saturday's Preakness Stakes.

Here he came — the youngest jockey ever to win a Triple Crown event — with folks calling out, "Ride him, Cowboy," and Kael was all smiles, twirling his whip, happy as all get-out, just the way he should have been a minute after teaching an old guy to respect his juniors. Every so often Cowboy Kael lifted his head to the crowd, and it was easy to think he had won a million big deals instead of, yes, just this first one.

Kael had guided Aloma's Ruler to a half-length victory over Linkage, the 1-2 favorite. Out Away, the 41-1 long shot in the field of seven 3-year-old colts, was 6 1/2 lengths behind Linkage and

Bold Style was two lengths farther back in fourth. Aloma's Ruler, a bay by Oran Ruler-Aloma, earned \$209,900 in winning his third race in four starts lifetime.

"You're 2-for-3 against Shoe," someone said to Kael, whose horse outran Bill Shoemaker's in the stretch of the Selma Stakes at Laurel last fall. "Do you call him Bill now?"

"No," Kael said. "Mr. Shoemaker."

At 50, Bill Shoemaker is regal. Shoemaker won three Kentucky Derbies before Kael was born. His left leg curled, Shoemaker had let someone hoist him onto the Saturday's prohibitive favorite. One place over in the saddling ring, Kael fairly leaped onto Aloma's Ruler, a 6-1 shot.

Bold Style

Then the kid stole the race. From the outside post position, Kael caused Aloma's Ruler to break quickly across the field and to the rail. That is bold work if you can find it. Kids find it. Shoemaker found a comfortable spot a horse or two off the rail. There he sat, waiting.

What Shoemaker does best anymore is wait for his horse to run down the leaders. Nothing wrong with that, unless the leader happens to be a strong horse running slowly, in which case it is incumbent on all riders, even senior citizens, to wake up to the fact that some cocky kid is outfoxing them.

"I didn't think I could get by going that slow," Kael said. Honest, too, this kid Aloma's Ruler ran the first half-mile in 48 seconds — better than walking, but not by much. About then, the kid looked to see what the old fellow was up to.

"I saw Leroy riding his horse hard," Kael said of Leroy Meyers on Bold Style. "And Linkage was outside him. I figured he would be closer than that then. I was content because I wasn't riding a horse. I had plenty left."

Aloma's Ruler ran the next half-mile in :48.2 seconds and then, by which time some little alarm clock had wakened Shoemaker, Aloma's Ruler led the crowd into the stretch.

"I was in a good position all the way," Shoemaker insisted. "My horse ran great, but his did too. My horse was gaining at the finish, but he ran out of time."

The kid in the cowboy hat, having ridden a race perfect in its

boldness and pace, said Shoemaker congratulated him as the horses galloped out past the finish line. "He said I rode a fine race," he said.

Kael is a rider's son. All over the West, from Nebraska to Montana to Kansas to Alberta, with a stop in Montana, Dale Kael worked bush tracks where no one much cared if his kid, then only 10 or 11, was riding with the grown-ups.

Pete Axthelm, in his biography of Steve Canthen, says the kid could do magic at 16 because somehow — no explaining it — he came equipped with the life forces and experiences of his father and mother, both lifetime horse people. Kael comes with that stamp, too, and you know it 15 minutes after the Preakness when he said, "This is me. That winner's circle is me."

For 81 days last summer, Kael sat out a riding suspension handed down when it was discovered he was only 15, a year too young for such work. The day he came back he rode three winners. Though he fared poorly at Saratoga last summer, he now is hot again.

So hot that fate rides with him even on the expressway. Four days ago, Kael's Cadillac was destroyed by a station wagon that turned him on his head.

"Shows you what racing can do for you," Kael said then, only shaken up. "I went from an '82 Eldorado to a '65 Mustang in one day."

Kids. Ain't they great?



Jack Kael happily raised his whip after winning the 107th running of the Preakness Stakes Saturday aboard Aloma's Ruler.

Parrish's Home Run in 10th Downs Twins, 5-4

DETROIT — Lance Parrish homered in the bottom of the 10th inning here Saturday to give the Detroit Tigers a 5-4 victory over Minnesota. Parrish's one-out home run, his fourth of the season, came off reliever Darrell Jackson (0-4) on a 2-2 pitch.

Minnesota tied the game, 4-4, in the seventh when Bobby Mitchell led off with a triple over center fielder Kirk Gibson's head and came home on Randy Johnson's sixth homer of the year.

Prior to the game, umpire Larry Barnett had met with managers Sparky Anderson of Detroit and Billy Gardner of Minnesota to warn them against any recurrence of the brawling that had broken out twice during Friday night's game.

Red Sox 10, Royals 5

In Kansas City, Mo., designated hitter Tony Perez drove in three runs and Dave Stapleton added a

homer to lead Boston to a 10-5 victory over the Royals.

A's 7, Yankees 3

In Oakland, Calif., Dwayne Murphy and Jimmy Sexton homered to aid the six-hit pitching of Rick Langford as the A's beat New York, 7-3.

Mariners 3, Orioles 2

In Seattle, Julio Cruz lofted a single down the left-field line with one out in the ninth to score pinch

runner Thad Bosley, lifting the Mariners to a 3-2 victory over Baltimore.

Angels 9, Indians 6

In Anaheim, Calif., a three-base error by Cleveland center fielder Von Hayes helped California score two unearned runs in the seventh, giving the Angels a 9-6 victory.

Mets 6, Dodgers 4

In New York, Joel Youngblood hit a three-run homer in the first and Hubie Brooks drove in two runs with a fifth-inning single to

lead the Mets to a 6-4 decision over Los Angeles.

Braves 12, Reds 9

In Pittsburgh, pitcher Rick Rhoden had a double and a two-run homer in a nine-inning shutout, and Johnnie Ray drove in five runs to lead the Braves to a 12-9 victory over Cincinnati.

Phillies 5, Giants 3

In Philadelphia, Gary Matthews drilled a two-run homer to give the Phillies their sixth consecutive victory, a 5-3 triumph over San Francisco.

Astros 4, Cubs 1

In Houston, Don Sutton became the first National League pitcher to win six games by allowing only three singles and striking out six while leading the Astros to a 4-1 victory over Chicago.

Cardinals 7, Braves 6

In Atlanta, Ken Oberkfell scored on a throwing error by reliever Gene Garber (4-2), and Lonnie Smith added a three-run homer in the 10th inning to power St. Louis past the Braves, 7-6.

Lakers Sweep Spurs to Gain Final; 76ers Take 3-1 Edge Over Celtics

From Agency Dispatches

SAN ANTONIO, Texas — Earvin (Magic) Johnson and Jamaal Wilkes sank two free throws apiece and Bob McAdoo stole an inbounds pass and scored in the final 17 seconds Saturday night as the Los Angeles Lakers beat the San Antonio Spurs, 128-123, and advanced to the National Basketball Association championship series. The Lakers won Game 3 of the Western Conference finals, 118-108, here Friday.

In Philadelphia, meanwhile, the 76ers defeated the Boston Celtics,

NBA PLAYOFFS

99-97, Saturday night and 119-94 Sunday afternoon to take a 3-1 lead in their best-of-seven Eastern Division championship series.

In Sunday's Game 4, the 76ers' Andrew Toney scored a playoff career-high 39 points. Toney hit 14 of 20 from the field and 11 of 12 at the foul line. On Saturday, Maurice Cheeks scored 18 points and came up with a game-saving steal in the last second to give Philadelphia its two-point victory.

The Lakers eliminated San Antonio in four straight games after downing Phoenix in four straight games in the conference semifinals. The 1980 Minneapolis Lakers hold the NBA record of nine consecutive playoff victories.

"The record was a big incentive," said Laker coach Pat Riley. "Norm Nixon scored 30 points Saturday, McAdoo came off the bench for 26, and Johnson and Kareem Abdul-Jabbar had 22

apiece in the winners' balanced attack.

The lead changed five times in the final five minutes. The Spurs' Johnny Moore hit an 18-foot jump shot with 1:50 to make the score 122-122 — and the game remained tied for the next 1:23, until Johnson was fouled by Mark Olberding and put the Lakers ahead to stay with two free throws.

San Antonio scored only once after that, on a free throw by Mike Mitchell, which made the score 124-123. On the next possession, Mike Bratz fouled Wilkes under the basket to prevent an easy lay-up, and Wilkes converted the two free throws for a 126-123 lead with eight seconds left. After a San Antonio time-out, McAdoo stole the inbounds pass and drove for the slam and the final two points.

The lead changed six times early in the first quarter until Nixon scored nine points and Los Angeles took a 36-27 lead. George Gervin scored 14 points in the second quarter as the Spurs rallied to cut the lead to 66-64 at halftime.

In the third quarter, Gervin scored five straight baskets in the first 2:10 to help give San Antonio a seven-point lead. But Abdul-Jabbar and Nixon scored 10 points each in the period, and Los Angeles led, 96-95, entering the fourth quarter. Gervin fouled out with 6:10 left after scoring 38 points; Mitchell added 30.

Pulverizing

In Game 3, Nixon led a pulverizing fast break and scored 22 points. Abdul-Jabbar had 26 and reserves Michael Cooper and McAdoo combined to add 35 more. The Spurs got 39 points from Gervin but as a team shot poorly, falling behind early under heavy pressure from a half-court trapping defense.

Nixon led the break after every San Antonio miss, and either took the shot himself or passed off effectively.

"Norm does so many things well — he's the very best at what he does," Magic Johnson said. "We had a great combination going for us out there."

The Lakers led by 13 at halftime, and when the Spurs cut the margin to eight with 7:22 left in the third quarter, Abdul-Jabbar responded by scoring five straight to widen the lead to 77-65.

"I never thought we'd take them 4-0, but it worked out differently," said Abdul-Jabbar.

Recalling how the Houston Rockets eliminated the Lakers in a first-round mini-series last year, Abdul-Jabbar said that this time "we've been turning in a consistent team effort, that's the key."

Said Johnson: "It doesn't matter whom we play next. We just want to play."

Said the dejected San Antonio coach, Stan Albeck: "The way they're playing, they're capable of winning it all. Awesome."

Commented Spur forward Mark

Olberding: "They've got a lot of ammo. If they continue to play like this, they will be world's champions. Rick Kelleys (of Phoenix) said they ran into a buzz-saw. We did too."

Julius Erving contributed 17 points and Darryl Dawkins had 16 as the 76ers snapped a 44-44 tie with 3:31 left in Sunday's first half and never trailed again. They outscored Boston 11-4 in the final 3:49 of the second period for a 55-48 halftime lead.

Boston closed the gap to 72-67 with 3:28 left in the third quarter, but Philadelphia then went on a 12-2 tear for an 84-69 lead. Boston failed to score in a span of 4:17 during the 76er rally.

The Celtics scored only 21 points in the fourth quarter as Philadelphia, keyed by Toney, Bobby Jones and Dawkins, turned the game into a rout. Boston never got closer than 10 points in the last period.

Robert Parish led the Celtics with 18, while Larry Bird had 17 and Cedric Maxwell and Kevin McHale each 14.

In Saturday's Game 3, Toney scored eight of his 16 points in the fourth quarter to help Philadelphia fend off a frantic Boston rally. The Celtics, playing without guard Nate Archibald, who suffered a dislocated shoulder before the game was two minutes old, trailed by 14 points early in the fourth quarter but came back and cut the deficit to a single basket on Bird's jumper with 43 seconds left.

Philadelphia missed a shot on its next possession, and Boston came down-court with a chance to tie. Bird threw up a 22-footer with eight seconds left that missed the mark and Cedric Maxwell came up with the offensive rebound but saw his hook shot rim out. Maxwell got another rebound but Erving blocked the shot back into Maxwell's hands. Then, as Maxwell dropped the ball down to his waist to fire up another potential game-winning shot, he was stripped of the ball by Cheeks as the buzzer sounded.

Erving led the 76ers with 19 points, and Bobby Jones added 18. Maxwell led Boston with 18, and McHale and Gerald Henderson added 16. Bird scored 15 and added 13 rebounds and 11 assists.

Erving's jumper with 11:09 to go gave Philadelphia its biggest lead of Game 3 at 84-70. The 76ers went the next 4:05 without a point, and Maxwell scored four points in an 8-0 surge that enabled Boston to get back into the game. But the 76ers again spurred behind Toney and Jones, and a pretty pass from Jones to Erving for a lay-up seemed to give Philadelphia control of the game at 97-87 with 3:27 left to play.

But the 76ers scored only two points more, and Boston scored six straight points to draw within 87-93 on a pair of free throws by Henderson with 1:51 remaining and set up the hectic finish.

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Alouettes of CFL Disbanded; Montreal Gets New Franchise

The Associated Press

REGINA, Saskatchewan — The Canadian Football League has approved a new football franchise for Montreal, filling a void that was left when Nelson Skalbania folded the Alouettes.

Skalbania served notice with the league Thursday through lawyers in Hong Kong that he was withdrawing the franchise from the league. Commissioner Jake Gaudaur said it normally takes three years for an owner to withdraw a franchise after notice is served. The league constitution, however, allows an immediate withdrawal with unanimous approval of the other eight teams.

Gaudaur said that approval was given, disbanding the Alouettes and paving the way for formation of a new team, which will be headed by Charles Bronfman of Seagram's distillers and chairman of the board of the Montreal Expos baseball team.

At a news conference Friday in Montreal, Bronfman said: "We truly felt it was in the interests of the Canadian Football League and Montreal football fans that we take the stewardship of the new franchise and offer through that franchise the complete cooperation of the Expos organization."

On Thursday the CFL board of governors approved an expansion franchise for the Halifax-Dartmouth area, assessing a \$1.5-million franchise fee. But there was no franchise fee involved in the new Montreal team, because of the financial troubles incurred by the

Alouettes. Gaudaur said he wanted the organization to start work immediately on the 1982 football season. Training camps open in two weeks.

Bronfman's partners are former Alouette quarterback Sam Etcheberry, trucking magnate Sydney Maitlin and Montreal businessman Lorne Webster and Hugh Hallward. Bronfman said they have \$2 million to get the franchise off the ground and expect to lose \$1.5 million in the first year of operation.

Skalbania, acting on the advice of Bill Putnam, the man he placed in charge of the Alouettes last year after buying the club from Sam Berger, ran up debts estimated at about \$4 million.

Gaudaur said that while the owners of the new team have refused to assume Skalbania's debts, the team will accept assignment of the player contracts with the exceptions of quarterback Vince Ferragamo and offensive tackle Larry Pihl. Ferragamo, signed as a free agent last year to a multiyear contract at an annual salary of \$450,000, was a bust on the field, and Pihl remains indebted to Skalbania.

However, he filed a court action to place a seizure on the Alouettes in an effort to recover a \$280,000 debt from the sale of the team to Skalbania in 1980.

When asked whether the transfer of the player contracts would be declared null and void if Berger's seizure was upheld, Max Berger, Berger's lawyer, replied: "That's quite conceivable."

U.S. Super-Heavyweight Biggs Winner In Final of World Boxing Competition

The Associated Press

MUNICH — Tyrone Biggs of the United States became the first world champion in the new super heavyweight class by outpointing European champion Francesco Damiani 4-1 in Saturday's finals of the World Amateur Boxing Championships here. Biggs had little trouble against the Italian boxer, who had scored a stunning upset Wednesday over Cuba sensation Teofilo Stevenson.

The victory gave the United States its third gold medal and 38 team points. Cuba was the overall winner with five gold medals, one silver and one bronze for 47 points, while the Soviet Union was third on three golds, two silvers, one bronze and 35 points. U.S. boxers picked up two silver and two bronze medals.

Thompson Wins Paris Race

Reuters

PARIS — Ian Thompson of Britain won the Paris Marathon Sunday, covering the 42.2 kilometers (26.4 miles) in a time of two hours 15 minutes 45 seconds. Frenchmen Bernard Bobes, in 2:16:38, and Bernard Faure, in 2:17:09, were second and third, respectively.

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Detroit's Chet Lemon chomped the mound and tackled pitcher Pete Redfern after Lemon hit by a pitch in the fourth inning Friday night. Both benches emptied and began brawling — as they did again in the 11th after the Twins' Ron Davis brushed back Enos Cabell with a fastball.

Friday and Saturday Major League Line Scores

Saturday's Results	
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Toronto	000 000 00-3 11 8
Chicago	000 000 00-3 11 8
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